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Self-confidence regained
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Real task lies at home
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Human genetics
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Technology, Page 10

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World Business Newspaper

TUESDAY DECEMBER 19 1995

BAe: Back from the brink
The aerospace company has emerged as one of the strongest in Europe. It now has to face up to US competition. The FT's special report concludes today.
Page 9

Peugeot to seek compensation for strikes in France

Jacques Calvet, head of Peugeot-Citroën, the car group, said he would seek compensation from the authorities for the losses his company had suffered because of the French strikes. France has lost up to FFr8bn ($1.6bn) in output because of the wave of public sector strikes over the past three weeks, according to provisional figures released yesterday by Insee, the national statistical institute. The forecast came as rail and urban public transport systems began to return to normal. Page 14

Spain appoints new foreign minister: Carlos Westendorp has been named Spanish foreign minister to replace Javier Solana, the recently appointed secretary-general of Nato. Westendorp, 58, has been Spain's secretary of state for the European Union since 1991 and has specialised in European affairs for much of his diplomatic career. Spanish PM to seek re-election, Page 14

Aérospatiale to widen links with Dasa: Aérospatiale of France and Daimler-Benz Aerospace (Dasa) announced they had signed an agreement to pool all their satellite and missile activities into two joint companies which would start operating by next summer. Page 16

Dutch to launch 'multifunctional' card: PTT Telecom, the Dutch telecommunications company, has joined forces with ING, the financial services group, to develop a "multifunctional" chip card which can be used to make telephone calls, execute banking transactions or pay for purchases in shops. Page 16

Japanese banks reject bail-out plan: Japan's leading banks appeared to be on collision course with the government over a plan to liquidate the country's troubled housing loan companies. Page 14; Trade surplus falls, Page 3

Investment in UK 'lowest for eight years': Direct investment in the UK by overseas companies dropped by more than a third last year to reach its lowest level for eight years. Page 7

Servier buys 51% of Hungarian group: Servier, the privately-held French pharmaceutical company, has formed a strategic alliance with, and bought a 51 per cent stake in Egis, a leading Hungarian pharmaceuticals producer. Page 16

Pechiney falls sharply below issue price: Shares in Pechiney fell sharply below their issue price on the first day of trading. Page 15

Sweden urged to drop nuclear deadline: Sweden should drop its self-imposed deadline of 2010 for decommissioning its 12 nuclear power plants, a divided parliamentary commission recommended yesterday. Page 2

German-made goods 'better' than British: The average quality of German-made goods is better than those made in Britain, largely because of Germany's higher skill levels. Page 8

Cairo talks attempt to reconcile rivals: High-level talks between the Palestinian Authority and the extremist Hamas Islamic movement opened in Cairo in a bid to reconcile the rival groups ahead of Palestinian elections next month. Page 4

Cadbury buys Canadian chocolate maker: Cadbury Schweppes is buying Neilson Cadbury, Canada's largest chocolate confectionery maker, for C$225m (US$164m). Page 20; Lex, Page 14

Mining giant on verge of creation: The world's largest mining company will come a step closer to creation tomorrow if shareholders vote for a tie-up between RTZ, of the UK, and CRA, its 49 per cent-owned Australian affiliate. Page 15

US allegations hit Telemetrix: Shares in the UK group, Telemetrix, fell 20p to 124p as the electronic components company announced that an investor had levelled allegations of insider dealing against GTI Corporation, its US subsidiary.

Australian oil group sells subsidiary: Ampolex, the Australian oil and gas group, is selling the subsidiary which owns its interest in the Lufeng oil field, in the South China Sea, to Statoil, the Norwegian national oil company. Page 17

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,101.95	(-74.78)
NASDAQ Composite	1,008.15	(-24.33)
Europe and Far East		
CAC40	1,820.47	(-38.78)
DAX	2,286.19	(-18.58)
FT-SE 100	3,596.1	(-46.5)
Nikkei	19,311.98	(-35.47)

■ US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.333%
Long Bond	109½
Yield	6.155%

■ OTHER RATES

UK: 3-mo Interbank	6½%	(Same)
UK: 10 yr Gilt	107¼	(107⅝)
France: 10 yr OAT	107.48	(107.68)
Germany: 10 yr Bond	102.89	(103.43)
Japan: 10 yr JGB	113.875	(114.045)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$17.80	(17.67)

■ GOLD

New York: Comex		
(Feb)	$388.6	(387.6)
London:		
close	$387.3	(386.4)

■ DOLLAR

New York: lunchtime		
£	1.54025	
DM	1.431	
FFr	4.929	
SFr	1.146	
Y	101.6	
London:		
£	1.5386	(1.5394)
DM	1.4318	(1.4426)
FFr	4.9942	(4.9635)
SFr	1.1588	(1.1837)
Y	101.58	(102.11)

■ STERLING

DM	2.2028	(2.2208)
Tokyo $ close:	Y 101.85	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.30	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50		Esc250	Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Russian Communists 'to end reform'

Kozyrev in danger as victorious party calls for sackings

By Chrystia Freeland and Matthew Kaminski in Moscow

Russia's Communists, emboldened by their victory in parliamentary elections, yesterday vowed to bring an end to "radical" economic reforms and called for the resignations of leading cabinet ministers.

The Kremlin appeared to be preparing its first sacrifice to the communist and nationalist mood of the electorate as officials hinted that Mr Andrei Kozyrev, the foreign minister popularly blamed for Russia's loss of international prestige, would resign this week.

With some 40 per cent of Sunday's vote counted last night, the Communist party had 21.9 per cent, Mr Vladimir Zhirinovsky's ultra-nationalist Liberal Democratic party had won 11.1 per cent of the vote and the pro-government Our Home is Russia party was trailing with just 9.6 per cent. Mr Gennady Zyuganov, the Communist leader, said the election represented the political defeat of the current government's economic programme. "As the preliminary results show, people totally reject the old radical policies of the so-called radical political, economic and social reforms which have been a dismal failure," he said.

Mr Zyuganov said the Communists, and other pro-communist parties, would seek to replace the government's austere economic programme with softer policies that "would make poverty disappear". He also said the privatisation of enterprises "which are simply being embezzled and destroyed" should be challenged by the courts.

Mr Zyuganov said he would press for a cabinet reshuffle. He targeted Mr Kozyrev, who is expected to resign to take up the seat in parliament which he won over the weekend.

In addition to Mr Kozyrev, Mr Zyuganov attacked Mr Anatoly Chubais, the deputy prime minister and architect of Russia's economic reforms, as being among "a number of ministers who have not only overstayed their time – the whole country has heartburn because of them". The preliminary returns did not indicate whether Mr Zyuganov would be able to muster the political muscle to force such changes.

However, contrary to some predictions, the Communists and their allies also appeared to be doing well in the first-past-the-post constituencies, from which half the 450 MPs are selected. With results available from 106

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Slush fund payments were political donations or gifts, says Roh

'Bribery' trial begins of former S Korean leader

By John Burton in Seoul

In a humiliating demonstration of his fall from power, former South Korean president Roh Tae-woo yesterday went on trial for corruption wearing a simple white prison smock, baggy grey trousers and plastic slippers.

Surrounding him in the dock at the Seoul district court were eight well-dressed business tycoons, including the heads of Samsung and Daewoo, accused of providing Mr Roh with some of the $370m in bribes he allegedly received during his 1988-93 term. Six other defendants, mostly aides or relatives of Mr Roh, are also on trial.

Appearing pale and tired after a month in prison, a humbled Mr Roh stood before a panel of three judges and listened with bowed head and hunched shoulders as prosecutors questioned him about payments to his secret $575m slush fund.

He responded to the questions in a low voice, acknowledging with a short "yes" that he had taken money from as many as 35 business leaders.

Mr Roh told the court the payments were not bribes, but either political contributions or customary gifts of respect from businesses, in a society that thrives on such practices.

Prosecutors believe the money amounted to bribery since Mr Roh could influence crucial government support for industry, including state contracts and subsidised loans.

The indicted businessmen, who include Mr Lee Kun-Hee, the Samsung chairman, appeared subdued and tense in denying the bribery charges, describing their payments as "donations". But Mr Kim Woo-choong, Daewoo chairman, admitted the funds were "a form of self-defence" to prevent the government taking retribution against business groups.

In Korea's highly regulated economy, companies which have fallen out of state favour have been subject to tax investigations or starved of credit.

Mr Roh refused to say whether he provided illegal funds to President Kim Young-sam's 1992 election campaign, explaining he could not disclose details because it would cause "serious confusion". A public admission by Mr Roh that he had done so could threaten the future of Mr Kim, who has denied directly receiving election money from his predecessor and former political ally.

Mr Roh admitted he destroyed evidence when the existence of his slush fund was revealed by an opposition MP two months ago. He allegedly ordered his former bodyguard, also on trial, to get rid of account books. Mr Roh said he could not remember when, where or how he received payments.

He is the first Korean head of state to go on trial and faces a sentence of between 10 years and life in prison if convicted.

Despite his role in introducing free elections in 1987 following almost three decades of military dictatorship, Mr Roh, a former general turned politician, enjoys little sympathy from the public.

In a country that prides itself on frugality, he is generally regarded as greedy after disclosures concerning the fund and alleged use of some of its proceeds to benefit his family through purchase of property and businesses. Mr Roh claims most of the money was used to finance political activities or support the underprivileged. The trial will resume on January 15 and is expected to last until May.

Cabinet reshuffle soon, Page 3

Former South Korean president Roh Tae-woo, in prison uniform, is escorted into the courthouse in Seoul yesterday Picture: Yun Suk-bong

UK referendum on Emu 'only a matter of time'

By Robert Peston, George Parker and John Kampfner in London

A UK government commitment to hold a referendum on European monetary union is "only a matter of time", ministers said yesterday, with nine tenths of the cabinet now in favour.

"Frankly I don't know what all the fuss is about," said one senior minister. "The prime minister has made it perfectly clear he will hold a referendum."

The cabinet's shift in favour of a referendum – which would be held if a future cabinet took a decision in principle to join a single European currency – may reassure Eurosceptic MPs.

Many are threatening not to support the government in tonight's vote on the European Union's Common Fisheries Policy. The outcome of the vote was finally balanced last night.

But in a statement to MPs yesterday about the EU government heads' summit in Madrid, prime minister John Major refused to be forced by the sceptics into abandoning his equivocal position on sterling's membership of a single currency.

While reiterating that he "would not recommend that sterling should return" to a European exchange rate mechanism either before the single currency's planned 1999 launch date or afterwards, he denied emphatically this would prevent sterling from ever joining a single currency. He said ERM membership was no longer a condition for single currency participation.

Mr Major also gave the clearest public indication to date of his plans to include a referendum commitment in his general election manifesto. He said he would "keep in my mind a referendum if the cabinet were to recommend entry" and that he was considering "the matter carefully".

Another cabinet member said: "It's just a matter of time on getting the referendum commitment into the manifesto. While the prime minister doesn't want to be rushed into it, he knows he's got to move reasonably quickly."

Such a commitment is regarded as essential to retain unity among Tory MPs in the run-up to a general election. Eurosceptic MPs want it after their disappointment that Mr Major has ruled out a manifesto commitment to retain the pound during the lifetime of the next parliament.

Mr Major, however, does not want to announce the referendum too soon before the election for fear of encouraging sceptics to exploit this victory by pressing for a decision to keep sterling forever.

Mr Kenneth Clarke, the UK chancellor, is believed to be the only senior minister implacably opposed to a referendum.

EU aid boost, Page 7
Editorial Comment, Page 13

Wall Street plunges after delay to start of trading

By Maggie Urry in New York

US shares fell sharply yesterday, unsettled by the latest budget row in Washington, concerns over technology stocks and a one-hour delay in the opening of trading on the New York Stock Exchange.

Once the NYSE opened at 10.30am, stocks listed there plunged and within 11 minutes the "uptick" rule was triggered when the Dow Jones Industrial Average fell by 50 points.

The uptick rule puts a brake on a falling market by restricting sell programmes. Even so, the market continued to fall, reaching a low of 5,087.49, a drop of 89.24 points, shortly after 11am.

Traders cited nervousness over the lack of agreement between President Bill Clinton and the Republican-controlled Congress on balancing the budget, which caused the government to close its non-essential operations over the weekend.

Without a budget agreement in sight, expectations of an interest rate cut at today's Federal Open Market Committee meeting faded. In turn, that pushed up bond yields, which affected sentiment in the stock market.

Technology stocks were also under pressure following a string of bad news from semiconductor makers.

Yesterday, Advanced Micro Devices warned its fourth quarter profits would be lower than its third quarter results because it sold fewer of its AM486 chips than it had expected.

The Nasdaq index, which is heavily weighted towards technology shares, fell from that market's opening at the usual time.

The index dropped more sharply than the Dow Jones. By mid-afternoon, the Nasdaq was 28.61 lower at 1,001.87, a drop of nearly 2.8 per cent. The Dow had fallen 95.74 to 5,080.99.

The NYSE announced only 10 minutes before the official 9.30am opening that trading would not start because of technical problems. The delay prevented regional exchanges trading NYSE listed stocks and halted trading in some stock index futures.

Stock exchange officials could not immediately elaborate on reasons for the problem. However, one stockbroker said the problem centred on the exchange's "dot switch" which distributes electronic orders to the specialists, or marketmakers.

It is unusual for the NYSE to suffer technological problems. The exchange continued to trade through the heavy volume of the 1987 stock market crash, for instance. The last time trading was delayed on the NYSE was December 20 1990, when a fire affected the computers.

The NYSE said the problem was not related to the record trading volume last Friday, when the "triple witching" expiration of futures and options contributed to 637m shares changing hands.

However, there was a heavy flow of orders at the opening yesterday and traders questioned whether this had contributed to the technical problems.

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NEWS: EUROPE

Attention turns to the presidential poll in June

Hardliners' success rings Russia's democracy alarm

By John Thornhill

The communists' revival and the unexpected resilience of the ultra-nationalist vote in Russia's parliamentary elections has quickened the country's political pulse and jangled some foreign observers' nerves.

The two political figures to emerge dominant from the elections on Sunday were Mr Gennady Zyuganov, the leader of Russia's mainstream Communist party which won 22 per cent of the popular vote, and Mr Vladimir Zhirinovsky, the flamboyant nationalist leader of the Liberal Democratic party of Russia which came second with 11 per cent.

Though differing wildly in temperament and conviction, both appealed to Russia's voters by skilfully articulating the social pain and confusion caused by the fitful transition to a market economy and promising seemingly attractive remedies.

But, by fiercely criticising the government's reform programme and arguing for a more assertive nationalism which will re-create the Soviet Union, they both unnerve those Russian liberals and western politicians who hope the country will pursue a peaceful democratic capitalist path.

"If these parliamentary elections are viewed as a primary for the more important presidential elections in June, then they are really scary," said one western political observer. "They mean that Zyuganov and Zhirinovsky could be battling it out between them for the top job in the second round."

But the immediate political effects of the parliamentary elections are unlikely to be so deeply felt. President Boris Yeltsin designed the 1993 constitution to vest enormous powers in the executive branch of government but little in the legislative arm.

Indeed, when all the votes are counted and the seats shared out, the parliament that emerges is likely to remain fragmented and fractious with little control over the levers of power or even the composition of the government.

Mr Zyuganov was yesterday talking grandly about the creation of a "people's patriotic coalition" embracing disparate anti-government forces and independent deputies. But it seems improbable he will be able to muster enough votes to gain the two-thirds majority needed to countermand the president on critical issues.

Mr Zyuganov has already said he would try to build cross-party support to stop further military action in Chechnya and reverse the government's controversial cash privatisation programme. The communists may also establish common ground with the nationalists by calling for the renunciation of the 1991 accord that dissolved the Soviet Union.

After the 1993 elections the hardliners in the parliament, including communists, nationalists and agrarians, were able to call on 36 per cent of the votes and that figure is not expected to rise significantly in the future parliament.

"The new Duma [lower house of parliament] will not differ too much from the old one," predicted Mr Nikolai Ryabov, chairman of the Central Electoral Commission.

The Communists may have doubled their popular vote but support for Mr Zhirinovsky's party was halved. Although their parties may gain a big share of the 225 seats allocated by proportional representation they are expected to win proportionately far less of the 225 seats determined by first-past-the-post ballots.

"The overall political effect is neutral," said Mr Christopher Granville, head of research at United City Bank, a Moscow-based investment bank. "Zyuganov has simply swapped places with Zhirinovsky. The real high-stakes game comes in the presidential elections in June."

Although Mr Yeltsin may respond to the popular mood of protest by sacrificing the odd unpopular minister, such as Mr Pavel Grachev, the hapless defence minister, or Mr Andrei Kozyrev, the unpopular foreign minister, he seems unlikely to change political course. Mr Kozyrev may have to go anyway if he were to become a deputy for the Murmansk constituency.

"The preliminary voting results do not bother me and should not bother Russians who care for reforms," Mr Georgy Satarov, a political aide to the president, said bluntly yesterday.

Some political commentators even suggest the threat posed by communists and nationalists in the forthcoming presidential elections may help Mr Yeltsin unite the splintered democratic forces if he decides to seek re-election next year.

But yesterday there seemed slim hope of such a coalescence of support as Mr Grigory Yavlinsky, the leader of the liberal Yabloko faction which appears to have come fourth in the election renewed his fierce attacks on the government and staked his own claim as a presidential candidate.

The high turnout in the election will undermine calls by some politicians and businessmen to postpone the presidential poll irrespective of the threat posed by the communists and nationalists. Some observers are arguing that the most important conclusion to draw from the elections is that democracy is rapidly putting down deep roots in Russia.

This was only the third time that Russia has staged free and fair parliamentary polls. "Democracy is stronger today in Russia than it has ever been," said Mr William Taft, a former US deputy defence secretary and election observer.

Zhirinovsky's popularity confounds the pundits

In their struggle to understand the ultra-nationalist Mr Vladimir Zhirinovsky's unexpectedly strong showing in the election, despairing Muscovite observers are resorting to a favourite line from a 19th century Russian poetry: Fyodor Tiutchev's advice that "Russia cannot be understood by reason", writes Chrystia Freeland in Moscow.

Before the ballot most analysts had written off Mr Zhirinovsky as a spent force, assuming that nationalist voters would shift to more mainstream parties. Although Mr Zhirinovsky's incongruously named Liberal Democratic party dominated the 1993 parliamentary contest with 22.9 per cent of the vote, his bizarre behaviour has made it hard for many observers to see him as a serious political force.

On a rhetorical level, Mr Zhirinovsky manages to be both utterly predictable and utterly absurd. For instance, he has attributed the war in the former Yugoslavia to the nefarious interests of French and Italian hoteliers determined to knock out their competitors on the Dalmatian coast. His antics, furthermore, match his bluster. He has thrown food at a political opponent before a riveted nationwide television audience and brawled with a female MP in parliament.

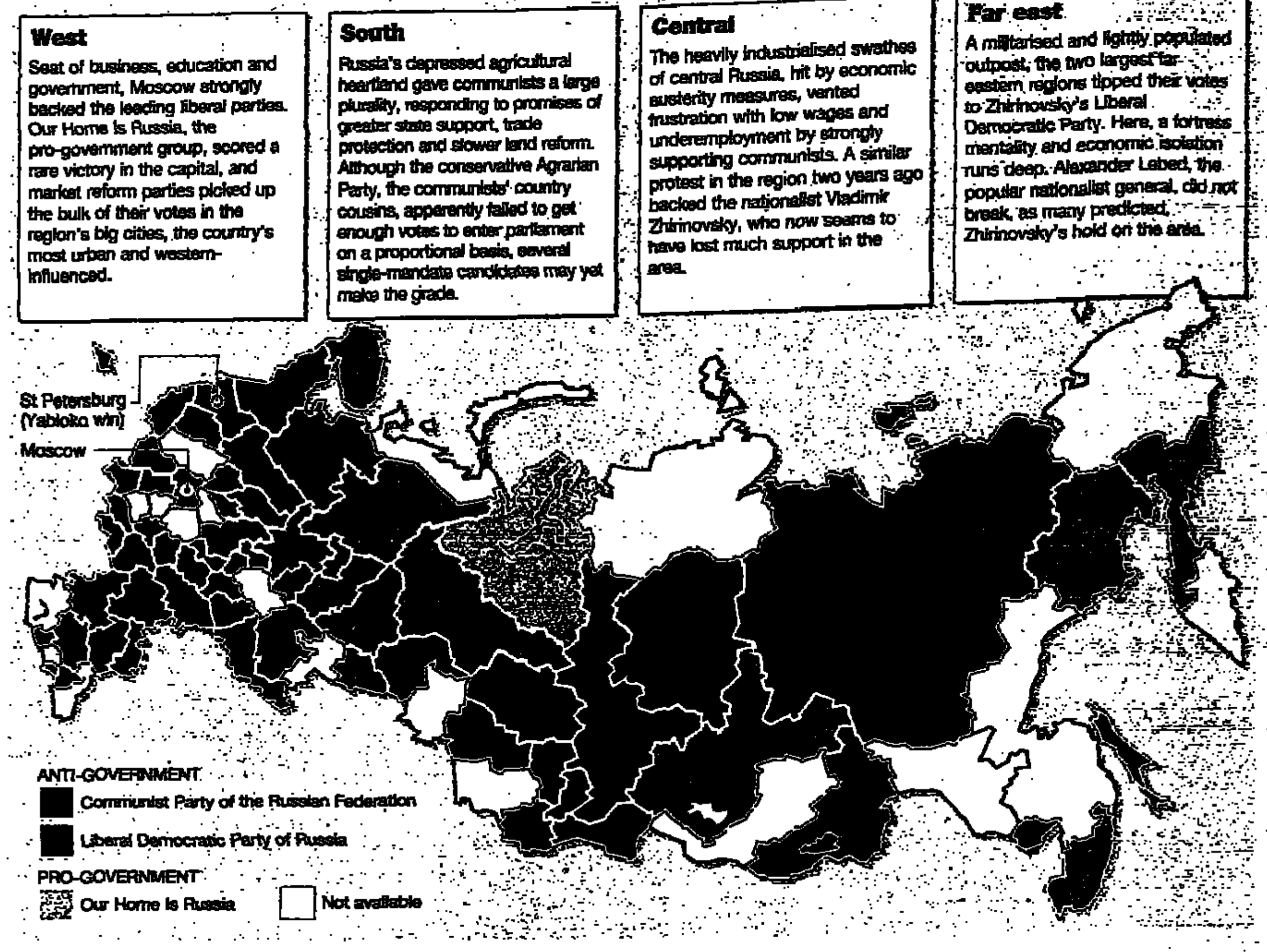
With his wild ways, it was almost inevitable that Mr Zhirinovsky would be discounted by most analysts in Moscow and the west. They tended to assume that the nationalist vote would be won over by the more moderate appeal of Mr Alexander Lebed, the former general and a leader of the Congress of Russian Communities. But millions of voters across Russia decided otherwise.

Oddly enough, from the Kremlin's point of view, the public's preference for Mr Zhirinovsky over more moderate nationalists may actually be a good thing. Although his rhetoric is extreme, he has actually been one of President Boris Yeltsin's most reliable supporters. Mr Zhirinovsky's party supported the government's budgets both in 1994 and in 1995 and was the only significant faction to support the war in Chechnya.

Though they are likely to continue to be mystified by the nature of Mr Zhirinovsky's political appeal, western observers must now acknowledge that he is one of the country's most established politicians, in charge of a party organisation whose power is second only to that of the Communists'. Mr Zhirinovsky's ambition to become president, once ridiculed, must now be considered a real possibility.

Anti-government forces take the high ground: who won and where

Preliminary results for the half of the 450-seat Duma which is being elected by PR from party lists. The other half is being elected on a first-past-the-post basis



Sweden urged to stagger phase-out

By Hugh Carnegy in Stockholm

Sweden should drop its self-imposed deadline of 2010 for decommissioning its 12 nuclear power plants because sticking to it would cause economic and environmental problems, a divided parliamentary commission recommended yesterday.

"A nuclear phase-out (by 2010) would lead to important income losses for society," it said.

The commission, led by the ruling Social Democratic party, did not question the underlying, 15-year-old referendum decision to wind-down the nuclear industry, which provides half of the country's electricity needs. It said one plant should be closed before the end of the present parliamentary term in 1998 to begin the process of adjustment to other power sources, but no new deadline for the final shutdown should be set.

Mr Jörgen Andersson, energy minister said the report – the result of 18 months' deliberation – provided the basis for final all-party negotiations on how to replace nuclear energy, which he said could start after a formal period for considering the commission's report expired next April.

The report appeared to offer the government breathing space on a fraught issue. Many ministers accept that the promise to shut down nuclear power by 2010 underestimated the technical lifespan of the plants and the scale of investment needed to replace them. Sticking to the deadline would add greatly to Sweden's already huge state debt and erode the competitiveness of industries dependent on cheap electricity.

The commission was deeply split, with only a narrow majority in favour of its recommendations. The Centre and Environment parties issued reservations demanding no stepping back from the 1980 decision, taken shortly after the Three Mile Island nuclear accident in the US.

The Federation of Swedish Industry protested that the commission should have made clear that phasing out nuclear power was incompatible with economic growth – a position backed by the conservative opposition Moderate party.

The report said the cheapest replacement energy source would be natural gas, but this would cause a 50 per cent rise in carbon dioxide emissions, wrecking the country's commitment to low output of "greenhouse" gases. Since the 1970s, Sweden has virtually abandoned oil as a power source, relying relied on nuclear and hydro power.

Switching to natural gas by 2010 would cost up to SKr90bn ($13.6bn) in direct costs alone, the report said. But it would cost more than double that to switch to non-fossil fuels – and such an option would mean "a decreased use of electricity and would entail a substantial restructuring of industry."

Move to bolster peace in Bosnia

By Peter Norman in Bonn, Patti Waldmeir in Washington and David Buchan in Paris

The former warring parties in Bosnia-Hercegovina agreed yesterday at an international conference near Bonn to two separate rounds of negotiations, starting on January 4, to discuss confidence-building measures and arms reduction in the former Yugoslavia.

The talks, to take place in Vienna under the auspices of the Organisation for Security and Co-operation in Europe, will have a deadline of January 26 for agreeing confidence-building measures such as exchanging information and restrictions on the deployment of some weapons. Separate talks will aim to agree arms control measures, including limits to heavy weapons arsenals, by June 6.

Bosnia is expected to become a member of the International Monetary Fund tomorrow when the IMF executive board meets to approve a $45.5m emergency credit to bolster peace in the region. Most of it will go to repay Bosnia's arrears to the Fund, leaving only about $7m as new reserves for the central bank.

Bosnian membership will clear the way for further multilateral assistance, notably from the World Bank, which estimates the cost of reconstruction at $5bn-$6bn. Donor countries meet in Brussels from tomorrow to discuss how to fund reconstruction. Under the Bosnian accord, the IMF will have substantial powers over future monetary policy.

Italian 1996 budget set to clear final hurdles

By Robert Graham in Rome

Italy's 1996 budget yesterday looked set to overcome the final parliamentary hurdles and win approval before the end-of-year deadline.

The confident prediction came from government officials after complex negotiations with all the main parties which involved Mr Lamberto Dini, the prime minister, withdrawing a third confidence motion on the budget.

The motion was withdrawn early yesterday after it was made plain to Mr Dini that his government risked losing the vote. This outcome would have complicated his plans to remain in office at least until the end of Italy's chairmanship of the European Union in June.

Almost 4,000 amendments to the budget had been tabled in the chamber of deputies. Last Friday, the government imposed two votes of confidence on amendments that took account of the bulk of changes proposed by the parties. This was intended less as a trial of strength and more as a means of accelerating the passage of the finance bill through parliament. If not approved by December 31, a temporary budget comes into force automatically, with caps on spending.

Mr Dini won the two votes narrowly because several deputies in the rightwing alliance headed by Mr Silvio Berlusconi, the former premier, chose to be diplomatically absent. The Berlusconi camp had a clear notional majority, thanks to opposition to the budget by the hardline Reconstructed Communism party.

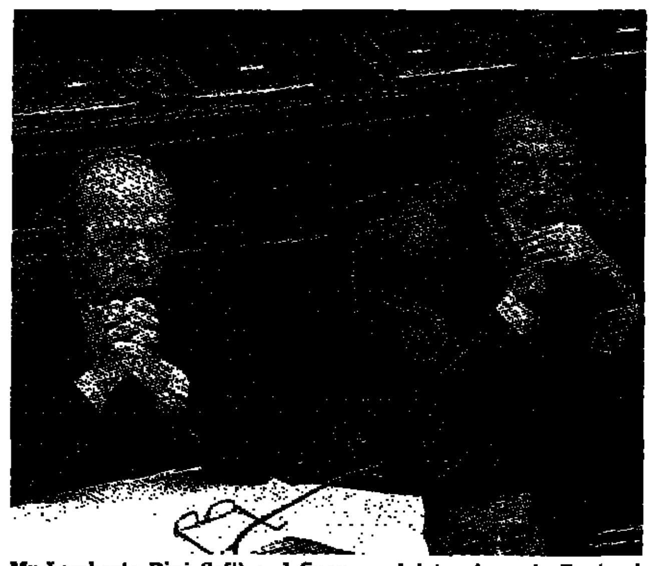
Confident that the deliberate losing of the vote signalled Mr Berlusconi's desire to avoid responsibility for sabotaging the budget, Mr Dini immediately imposed a third vote of confidence on a final set of amendments. These changes covered fiscal matters, which Mr Berlusconi's Forza Italia had canvassed hard to change.

The Forza Italia proposals included prolonging tax breaks available to small businesses and a fiscal package helping companies to be quoted on the stock exchange. The latter would be of considerable benefit to Mr Berlusconi's television interests, which are due to be floated as Mediaset.

The stakes were thus much higher on the third vote. Mr Berlusconi could not afford being seen to lose; while Mr Dini would have been forced to resign if the government lost.

The Party of the Democratic Left, the main supporter of the government, expressed some irritation with the way Mr Dini backed down. But last night a deal was hammered out by the parliamentary budget commission to allow speedy passage of the remainder of the budget. This centred round retaining the government fiscal amendments while allowing a limited number of additions tabled by the Berlusconi camp.

A government spokesman said all the legislation could be approved before Christmas or just after. The budget aims to find L32,500bn (£13bn) through extra revenues and spending cuts to reduce the deficit from 7.9 per cent to 5.4 per cent of gross domestic product.



Mr Lamberto Dini (left) and finance minister Augusto Fantozzi listen to yesterday's debate in parliament AP

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Vranitzky's poll joy set to be shortlived

Austria's deficit awaits attention, writes Ian Rodger

Austria's chancellor, Mr Franz Vranitzky, showed unalloyed joy at his Social Democratic party's unexpectedly strong showing in national elections on Sunday.

The party raised its vote share from 34.9 per cent to 38.3 per cent, putting Mr Vranitzky in a strong position to lead the next coalition government.

But his joy is likely to be shortlived.

Within a very short time, Mr Vranitzky may be uncomfortably squeezed between demands from the capital markets for spending cuts and tax increases and calls from allies in Vienna that the pain at least be postponed until after civic elections scheduled for next October.

Analysis of the election results suggests that the improvement in his Social Democratic party's result was due in large part to the efforts of the party's organisation in getting out the vote, especially in Vienna.

Of the nearly 170,000 additional votes that the Social Democrats won this time, nearly two-thirds came from people who did not vote in last year's election, and roughly 50,000 came from Vienna alone.

Nothing is free in politics, and the hard men behind the party machine in Vienna will not wait long before seeking a return favour from Mr Vranitzky.

Indeed, Mr Michael Häupl, the capital's mayor, said in an interview on Sunday night that he did not expect the city to go hungry in terms of federal investment grants after the election result.

Mr Häupl needs all the help he can get. The Social Democrats have ruled Vienna with an absolute majority throughout this century. But in the past two years, the party has faced large-scale defections of its core working class voters who have been angered by the ever rising number of immigrants from central and eastern European countries arriving in the city.

Mr Häpl admitted earlier this year that the party faced losing its absolute majority in the 1996 municipal elections. And when the national government's financial difficulties became apparent last summer, he appeared to take fright at the prospect of a rout. He insisted that whatever savings measures were agreed, public pensions and other social entitlements could not be cut in any way.

In the event, nothing was agreed and the national government's ruling coalition collapsed. But Mr Häupl has continued his vigorous campaign against social spending cuts, repeating on Sunday night that the budget deficit must not be reduced by increasing the burdens on "the little people".

It was a message that Vienna's voters wanted to hear, and played no small part in the recovery in the Social Democrats' vote share in the city from 38.4 per cent to 44.2 per cent.

Of course, his task would be made much more difficult if the new national government did resort quickly to drastic measures to reduce its fast-growing deficits.

Many think it has no choice. Last week, Mr Erich Streissler, professor of economics at the University of Vienna, said that massive budget reductions were needed if the country was to meet the criteria for joining the single European currency in 1999.

He estimated that the necessary measures would cost the average taxpayer Sch60,000 ($5,910) over the next two years in both higher taxes and reduced benefits, and recommended that the pain be applied as soon and as hard as possible. Although this would depress the economy and cause unemployment to worsen, positive effects would be felt as early as 1997 when the rest of Europe might be in an economic downturn.

On the other hand, postponing the pain risked higher interest rates and a possible devaluation of the schilling, which would lead to renewed inflation, he said.

EUROPEAN NEWS DIGEST

German ministry expects growth

The German economics ministry yesterday said it expected the economy to start growing again next year. The economy grew by 1.5 per cent in the third quarter and is not expected to do any better in the fourth quarter, the ministry said. But after a noticeable slowdown in the second half of this year, relatively low interest rates and steady inflation should allow growth. Moreover, this year's "unexpectedly" high wage round, which increased labour costs by up to 10 per cent for some companies, was fading in its impact and the dollar was rising again against the D-Mark, having fallen to a low this year of DM1.38 which hurt German exports. Private households are also expected to have more disposable income next year following tax changes which more than double the money people can receive before paying income tax.

The ministry's comments, contained in its monthly economic report for December, echo the views of the steel industry. New orders for steel have fallen considerably in recent months but the industry insists that the drop is merely because stockpiles are now full and is not a harbinger of recession. *Michael Lindemann, Bonn*

Commission challenges tax rule

The European Commission said yesterday it may take court action against Italy if it fails to change tax rules on institutions offering mortgage services. The Commission said credit institutions providing mortgages without having a registered office or branch in Italy cannot benefit from certain tax breaks – the *imposta sostitutiva* – which are reserved for established companies. The tax discrimination constitutes a restriction on the freedom to provide banking services in the EU, it said. "In the absence of a satisfactory response to the reasoned opinion within the 40 working days of receipt, the Commission may decide to refer Italy to the Court of Justice," it said.

In a separate challenge, the Commission said Italy is in breach of EU value added tax rules in not allowing property companies to recover VAT paid on essential business purchases. The Commission said it is giving the Italian authorities two months to reply or face a court action.

In a third case against Italy, the Commission said it is threatening the country with legal action if it does alter a 10 per cent tax on polyethylene, which puts a higher tax on imports than on Italian products. *AFX, Brussels*

Italian petrol stations to strike

Italian petrol station operators yesterday announced a nationwide closure from the evening of December 23 until December 27, and from December 30 until January 1. The announcement came after the collapse of talks on implementing an agreement signed in October to restructure the way in which petrol stations are licensed and operated. The operators claim new legislation proposed by the government would cause serious job losses by opening up the sector to full competition. This would involve ending controls on working hours and the removal of limits on the opening of stations.

On Friday the government gave in to most of the main demands of road hauliers who were threatening to strike in the Christmas period. Sole 24 Ore, the main business paper, estimated that the agreement would cost the treasury L470bn ($295m). Of this, half would be in the form of lost revenues through fiscal breaks permitting the hauliers to pay lower road taxes. Other help included easing the burden of autostrada payments; while the hauliers were allowed to raise tariffs by 4 per cent to offset inflation. *Robert Graham, Rome*

Wrecked Russian aircraft found

The wreckage of a Russian aircraft that vanished on December 7 was discovered yesterday by a helicopter pilot in mountains near the Pacific coast. There were no signs of survivors, officials said. The Tu-154 plane which belonged to Khabarovsk Airlines – a regional spinoff of Aeroflot was carrying 97 people when it disappeared during an early morning flight in a snowstorm.

The helicopter pilot spotted the debris in the remote Bo-Jans mountains some 50km north-west of the Tatar Strait. "The cause of the crash is not known so far. However, it is clear that the aircraft had hit the ground nearly vertically, and all those who were aboard died almost immediately," Mr Gennady Korotkin told the Itar-Tass news agency. *AP, Moscow*

China steps up reform of state enterprises

By Geoffrey Crothall in Beijing

Spurred by worse-than-expected debts and losses in its industrial sector, China has announced an intensification of its drive to reform state-owned enterprises.

Mr Zhang Haoruo, deputy head of the state commission for restructuring the economy, has told a conference on economic reform in Beijing that reform of state enterprises had lagged behind overall economic reform and would have to be speeded up in 1996.

The 2,000 businesses selected by the government to take part in an experiment designed to create a modern and efficient enterprise system must implement their reform measures next year, Mr Zhang added.

In a sign that the government is determined to push through reform, the state-run People's Daily newspaper yesterday took the unusual step of announcing the dismissal, for bad management, of seven heads of state-owned factories in the north-eastern industrial city of Shenyang.

The city has one of the highest concentrations of state-owned enterprises in China and has often been used as a standard-bearer in the central government's reform drive.

Shenyang was the first city to allow a state-owned enterprise to go bankrupt in 1987; government officials hinted yesterday the sackings by the Shenyang Machinery Industry Management Bureau could be a sign of things to come in other parts of China.

The officials said the heavy losses and debts suffered by both state and collective enterprises this year had made acceleration of the reform process imperative. Debts among China's 378,000 industrial enterprises reached Yn773.8bn (£60.4bn) at the end of October, an increase of Yn140bn since the end of last year, the State Statistical Bureau said in its monthly report yesterday.

At the end of November, 42.2 per cent of all state-owned industrial enterprises were operating at a loss, a 1.1 per cent increase over the same 11-month period last year. A key part of the government's reform programme has been to encourage insolvent enterprises to go bankrupt; Mr Zhang said that process would be intensified next year.

A survey by the People's Bank of China, China's central bank, has found the rights and debts of banks are still not properly protected by the bankruptcy process.

The survey of 59 bankrupt enterprises, reported by the China Securities Newspaper, disclosed many banks had been unable to collect on guarantees or mortgages and that companies had been unable to translate assets into cash.

Surplus with US falls by 45.2% for the biggest drop in five years

Japan's import of cheap goods cuts trade gap

By William Dawkins in Tokyo

Japan's growing appetite for cheap imports, often made by Japanese factories abroad, caused its trade gap to narrow in November for the fifth month running.

The trade surplus fell by a slightly less-than-expected 23 per cent compared with the same month last year to $6.57bn, according to preliminary Finance Ministry data.

The largest and most politically irksome part of the surplus, the bilateral trade gap with the US, fell even faster, by 45.2 per cent to $2.8bn. That is the biggest drop in five years, slightly exceeding the October decline in Japan's surplus with the US.

It partly follows an unexpectedly large fall in Japanese car sales to the US since the two resolved their dispute on access to Japan's car market last summer. Japan's trade surplus with the US has fallen for six months in a row, reinforcing Tokyo's hopes that trade rows with the US might become less heated.

The latest drop was, however, within the range of what the markets were expecting and the dollar ended Tokyo trading just below Y102, having stabilised at around that level since early October.

Overall, Japanese exports rose a mere 2.8 per cent to $35.4bn last month, a reflection of softer demand in its main markets and the erosion of export price competitiveness caused by the strong yen. Car exports fell by 19.1 per cent and car sales to the US were down just over a third. Imports overall surged 11.4 per cent to $28.84bn, as foreign-made goods took market share away from costlier domestically-made products.

Manufactured products took a record 61.6 per cent of the total. The import boom is led by office equipment (sales to Japan nearly doubled last month), and semiconductors, (import sales rose 82.7 per cent). November was the fourth month in a row in which this proportion reached a new high.

It is a sign of the changing structure of Japanese imports, from raw materials to finished goods, often made by overseas Japanese plants. On the strength of this change, most Tokyo economists expect the surplus to keep falling in the foreseeable future.

North Korean villagers wheel away their grain ration supplied by the International Red Cross in the north of the country. About 130,000 North Koreans face famine and 500,000 have been left homeless after floods in August. The United Nations' Department of Humanitarian Affairs (DHA) said a team from the World Food Programme reported "hunger is widespread and malnutrition already a problem" in the three main provinces affected by the floods. "Famine conditions have been noted in some areas," said the DHA, which co-ordinates aid efforts by UN agencies. Reuter

South Korean reshuffle imminent

By John Burton in Seoul

The South Korean parliament yesterday overwhelmingly approved the appointment of Mr Lee Soo-song, president of Seoul National University, as the country's new prime minister.

The selection is expected to be followed by a reshuffle of the cabinet and presidential staff this week as President Kim Young-sam's administration tries to make a fresh start in response to scandals involving past military governments.

Mr Lee, the fifth prime minister since President Kim took office in February 1993, replaces Mr Lee Hong-koo, who is expected to head the ruling party's national candidate list in parliamentary elections next April.

Mr Lee said he would support the naming of "young, fresh and reform-minded people" to the new cabinet in an attempt to cut the civilian government's links with the former military governments.

Most MPs in the ruling party consist of supporters of former presidents Roh Tae-woo and Chun Doo-hwan, who were recently arrested for alleged corruption and staging a military coup in 1979.

Following the arrests of his two predecessors, President Kim has proclaimed that Korea has finally closed the chapter on military rule and is ready to proceed with a political system based on law and justice. Mr Lee's career as a law professor underscores that message.

Mr Lee said his cabinet would "continue to push for reforms". But in an implicit criticism of Mr Kim's political and economic reform programme, he added: "Too many matters remain to be addressed" and the results of the present scandals should not be limited to "a mere clean-up of old-school administrators and politicians".

Mr Lee said he favoured creation of fair competition in an economy dominated by big business, including deregulation and support for small businesses. But he also supported leniency for businessmen indicted in the bribery scandal involving former President Roh. "If a strongman asks you for money, you have no way to avoid it," he said.

Push and pull of NZ policy

By Terry Hall in Wellington

New Zealanders have had a confusing taste of the country's economic management system.

It began when Mr Bill Birch, finance minister, announced a pre-election package of tax cuts and extra social spending last week – and the Treasury confirmed it was affordable. However, the Reserve (central) Bank was prompted to announce an unexpectedly harsh tightening of monetary policy out of concern for the possible inflationary consequences of the package.

The Reserve Bank's intervention led economists to forecast a much tougher than expected year, and slower economic growth, in the run up to elections due by next November. The monetary tightening also led to gains in the exchange rate and in short-term interest rates while shares fell.

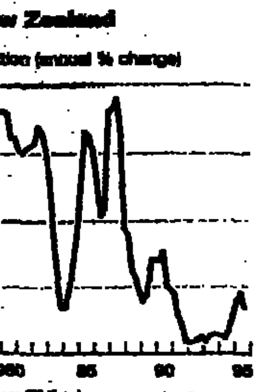
The apparent contradictions stem from the independence granted to both the Reserve Bank and Treasury by parliament after concern at the way previous politicians manipulated the system for political advantage. The Reserve Bank Act gives the governor total independence in setting monetary policy to ensure inflation remains within a nil to 2 per cent target range. The Fiscal Responsibility Bill sets a rigid timetable for the Treasury to disclose detailed budget information and a series of possible fiscal outcomes for the coming years.

In essence the Treasury sat in judgment on the government's planned tax cuts and found them affordable – but only just – given the forecast budget surplus this year. It also said they could be achieved within the 2 per cent inflation guideline.

But Mr Don Brash, the Reserve Bank governor, disagreed. In its six monthly economic statement, released on Thursday, just a day after the Treasury's half-year Budget Update, the Reserve Bank said its latest data pointed to inflation running much closer to the 2 per cent target, possibly even surpassing it, over the next two quarters. Mr Brash announced that "somewhat firmer monetary conditions are now appropriate in order to maintain price stability".

New Zealand

Inflation (annual % change)



Source: FT Extel

The bank's move caused consternation. Homeowners, who had been expecting lower mortgage rates, found they were likely to pay more. Most families had worked out they stood to gain an extra NZ$40 (£17) to NZ$80 a week when the tax cuts came in to force next July.

The biggest criticism came from exporters. Dismayed at a rise in the New Zealand dollar last week – and the Reserve Bank's goal to see it rise by a further 1.7 per cent a year on a trade weighted basis – a powerful lobby of farming, manufacturing, tourism and other exporters formed an organisation to find ways of constraining inflation by means other than tightening monetary policy.

The group, led by the Manufacturers Federation and Federated Farmers, said it supported the continuing independence of the Reserve Bank and the need to restrain inflation. "However, relying solely on monetary policy places an onerous burden on exporters and those selling services to foreign visitors."

While many New Zealanders are wondering when they will receive the benefits of the economic recovery, Mr Brash says his anti-inflation medicine is good for everyone. On Friday he defended the present level of interest rates – in real terms among the highest in the world – saying that a 14 per cent growth in lending by the trading banks had "hardly proved a significant hurdle to borrowing".

NEWS: INTERNATIONAL

BP prepares to join Algeria's desert fortresses

Government and foreign companies are taking no chances with security, writes Roula Khalaf

On a western oil company camp in Hassi Messaoud, Algeria's main oil installation 600km south of Algiers, foreign experts have installed three sets of electrified fences patrolled by Doberman dogs and screened by cameras to supplement the security provided by the army contingent stationed outside the camp.

British Petroleum will soon be setting up its own quarters in Hassi when it joins the 32 western oil and gas companies doing business in Algeria. The $3.5bn partnership contract BP is getting ready to sign with Sonatrach, the Algerian state oil and gas company, runs for 20 to 30 years and stipulates joint exploration, development and marketing of a huge gas area in the Sahara desert, as well as the building of a pipeline.

It is one of several imminent deals for Sonatrach, including a $1.4bn oil enhancement recovery contract with Atlantic Richfield of the US.

Algeria's oil and gas installations are in the desert hundreds of kilometres south of Algiers, and about 90 per cent of the four-year violence pitting Islamic militants against security forces has been concentrated in the north.

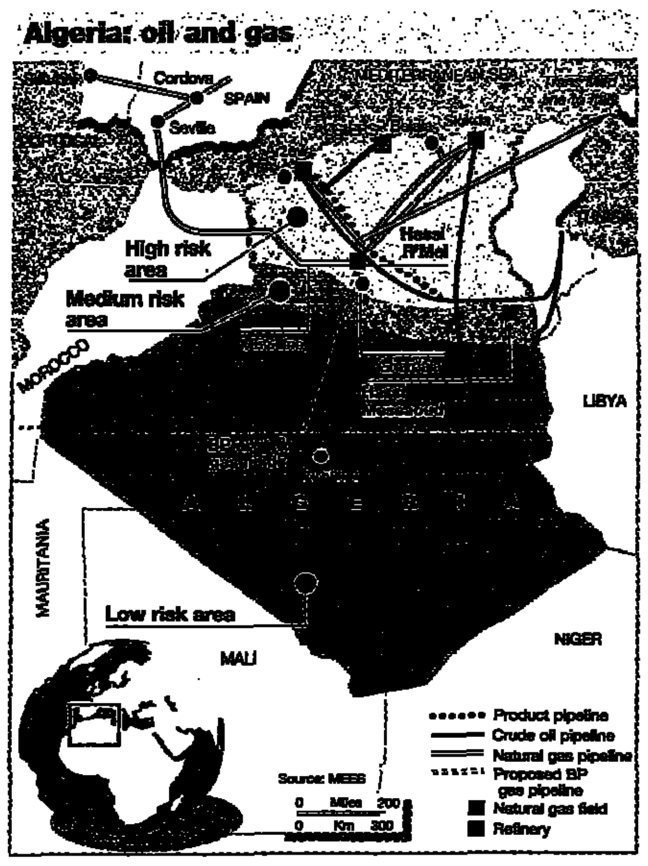
But neither the Algerian government nor western companies operating there are taking any chances. The companies have brought in their own security experts and charter their own aircraft to fly staff from Hassi directly to Europe, bypassing Algiers.

The Algerian government has given oil and gas installations top security priority. At least six army units guard the installations around Hassi, home to 700 foreign male workers – women and children were sent home two years ago – and the area is part of a restricted zone requiring special permission for entry by visitors. Soldiers are stationed outside many pumping stations across the desert and helicopters routinely monitor the pipelines, buried 3 or 4 metres underground.

Although negotiations with BP lasted two years, and the company is expected to post 25 staff members to Algeria next year, it is believed that negotiations were never stalled because of security considerations.

The In Salah area to be developed is even further south from Hassi Messaoud, about 1,200km from Algiers, and soldiers are already stationed there. Control Risks Group, the London-based corporate security and intelligence agency, considers the In Salah region an area of low risk, compared with the high-risk north and the medium-risk Saharan fringe. According to Control Risks, Algerian risk is most comparable to Colombia, where BP already operates and pipelines are routinely sabotaged by local guerrillas.

Algeria's Islamic militants fighting the government since 1992 – at a cost of more than 40,000 lives – have not systematically targeted the oil and gas areas, which their leaders consider to be Algeria's lifeline. (Oil and gas exports account for 95 per cent of foreign exchange earnings). Islamic leaders, however, have warned that the sector would be targeted as a last resort.



That time may be nearing. There are increasingly frequent reports of sabotage of pipelines which Sonatrach is able to repair within a day. In May, five foreigners working on the Euro-Maghreb pipeline were killed in the southern town of Ghardaia, setting off alarm bells that the conflict would soon spread to the south. Ghardaia, however, does not fall within the restricted security zone.

The long-term political outlook for Algeria has improved with the election last month of former general Liamine Zeroual as president. He is believed to be seeking a political end to the crisis.

But in the short term, as Mr Martin Stone, a senior analyst at Control Risks, points out, the election and the fact that security forces have made significant gains against Islamist militants have raised the risk of attacks on the oil and gas sector. Indeed, there have been reports of a bomb attack on a gas pipeline near Skikda in the north east on November 16, the morning of the presidential election.

Companies consider attacks on pipelines a nuisance rather than a serious threat to operations or supply. What they fear more is attacks on installations or refineries, which have not occurred in Algeria but are not ruled out. Fears of such attacks have led the government since the election to tighten security around refineries in Skikda and Arzew. "Nothing says that there will not be incidents in the future but BP takes the view like other companies that operations are manageable in the desert," says one BP official.

One source of concern is that as they continue to lose ground, Islamic militants' methods and tools are becoming more sophisticated. As many have now moved from the mountains to the towns, where they are more difficult to root out, they have resorted to bomb attacks and have managed to target higher level officials, especially in the army.

Mr Stone says that a bomb explosion in Algiers last week which killed 15 people, used more explosives than the bloodiest attack which occured last February on a busy downtown Algiers street and left 42 people dead.

"The number of attacks is lower but the effectiveness of each single attack is much higher," he says. "Many companies are accepting the risk in Algeria. It doesn't preclude them from working there if they take precautions."

A further consideration is that the Islamic leadership is by no means united and the pragmatic approach on targeting oil and gas taken by leaders of the Islamic Salvation Front (FIS), the banned party which was poised to win the 1991 elections cancelled by the government, may no longer be followed by extremist militants.

Since the presidential election, exiled leaders of the FIS have distanced themselves further from the extremist Armed Islamic Group (GIA), condemning last week's bomb attack and accusing the GIA of assassinating their own top level officials.

Pipeline sabotage is chronic problem for oil groups

By Robert Corzine

The security of oil and gas pipelines – highlighted by British Petroleum plans to build in Algeria – has become a top priority for international energy companies.

Many of the most promising new oil and gas producing areas, such as the Caspian region and Colombia, are located in countries which suffer from political instability, if not outright civil insurrection, and risk sabotage.

BP's Algerian plan will be influenced by substantial lessons from Colombia, where it is developing large oil and gas reserves.

Sabotage is a chronic problem in some areas of the country, with the Cano Limon line operated by Occidental Petroleum routinely blown up by guerrillas.

Pipelines which have proved particularly vulnerable are those in developing countries which run through areas in which the local population has little direct stake in the oil industry. Sabotage was a common occurrence in the operations of Royal Dutch Shell in Ogoniland in Nigeria, where local people complain of having received few benefits from the oil produced and transported through their region.

Oil companies operating in troubled areas have perfected the task of pipeline repairs. In most cases damaged sections of oil or gas pipelines can be repaired relatively easily and quickly, as long as they are in accessible locations.

Remotely-controlled valves can isolate small sections of pipe. Repair times vary according to the damage. In the UK, for example, British Gas is usually able to repair breaks in its high pressure gas pipelines within a day.

Although gas can be more dangerous than oil, industry experts say sabotage would not necessarily result in massive explosions.

"Gas is most dangerous when it leaks into a confined space," says a British Gas official. In built-up areas such leaks can lead to massive explosions which can destroy large buildings. But the explosive rupture of a high pressure pipeline in open countryside would probably result in a "large, wobbly flame" and fairly localised damage.

Sabotage can take much simpler forms, however. One industry expert said all a potential saboteur had to do was tamper with manual control valves.

"It could take the operator two days to find which valve was affected," according to one engineer.

Other vulnerable points on a pipeline are the expensive compressor stations, where large turbines of the type used on airliners are used to push gas through the line. Large collection and/or storage terminals are also vulnerable points, say the experts.

But such facilities tend to be heavily protected, even in countries with no civil unrest. In the UK, for example, the five coastal terminals that receive gas from offshore fields are among the most heavily guarded industrial facilities in the country.

Troops from the Special Air Service regiment and other elite military units routinely test security measures at such locations.

Hamas chief Khaled Mishaal (right) with one of his team at the start of the talks in Cairo yesterday *Associated Press*

Move to mend Palestinian rift

By Shahira Idriss in Cairo and Julian Ozanne in Jerusalem

Talks between the Palestinian Authority and the extremist Hamas Islamic movement opened in Cairo yesterday in a bid to reconcile the rival groups ahead of Palestinian elections next month.

The authority hopes to convince Hamas, which opposes the peace process, to abandon its armed struggle against Israel and to participate in the polls for an 83-member legislative council on January 20.

A successful outcome of the talks would bolster considerably the legitimacy of the first Palestinian democratic elections and would help consolidate the Middle East peace process. Hamas suicide bomb attacks against Israelis have been the most important factor in undermining Israeli confidence in the peace process.

The importance that both sides attach to the talks, expected to last three days, was demonstrated by the high level of the delegations. Mr Selim al-Zaanoun, head of the Palestinian parliament-in-exile, led the Palestinian Authority delegation and Mr Khaled Mishaal, political bureau head, led Hamas.

"The internal fighting of the past we consider buried forever," said Mr Zaanoun.

Mr Mishaal confirmed that Hamas was still committed to armed struggle against the "Zionist occupation" of Palestinian lands. However he hoped the two sides could find common ground.

Hamas has said officially it will boycott the elections. Opinion polls suggest that the group commands up to 20 per cent of Palestinian support. Such a boycott could therefore deal a blow to attempts by Mr Yassir Arafat, the Palestinian leader, to turn the elections into a test of his legitimacy.

However, Hamas has encouraged supporters to register to vote. Officials also said Hamas supporters would be free to vote for the recently formed Islamic National Salvation party, although the group was holding back recognition.

Palestinian officials said both sides would discuss a 16-point draft agreement defining their future relationship. The Palestinian Authority is determined that Hamas formally cease military activity and translate its opposition to the peace process into political and democratic channels.

Hamas wants guarantees from the authority that it will stop harassing its leaders and supporters; will open police and government jobs to Hamas members and will offer a form of power sharing that will give Hamas influence over education and religious policy.

NEWS: WORLD TRADE

US group in row over Polish telecom deal

By Christopher Bobinski in Warsaw

Ameritech, a US telecom company, today launches a newspaper advertising campaign warning potential bidders that one of the digital operators' licences for which the Polish government is inviting tender bids is the subject of a court case.

The Chicago-based company says the Polish government has reneged on a promise made four years ago to grant it a GSM digital mobile telephone operating licence. Ameritech has confirmed it is now pursuing its claim through international arbitration.

The Polish authorities argue that recent domestic legislative changes mean that neither of the two GSM licences now up for tender can be granted to a company which has the Polish state telecommunications company as a shareholder.

Ameritech's joint venture partner for the licence it thought it would be granted is TP, Poland's state-owned telecommunications operator. Under current Polish legislation the government must also run an open tender for both licences.

In a sign of compromise, government officials have hinted that a forthcoming licence for a separate higher frequency system could be granted to Centertel, the joint venture formed by Ameritech, TP and France Telecom in response to the Polish government pledge to the US company, and that this would fulfil the terms of the original promise made in 1991.

The legal threats have cast a pall over the international tender for the two GSM licences which is due to close on January 3. Foreign telecoms operators interested in the licences include Deutsche Telekom Mobil as well as US West, Stet of Italy, Unisource and Tele Danmark.

So far only Veba Telecom working with Kinnevik of Sweden as well as Millicom of Luxembourg and Telecom Finland have publicly confirmed they will be bidding for a licence in a consortium headed by Optimus, a local computer company which is listed on the Warsaw stock exchange.

Ameritech's action will be the first time that the Polish government has been taken to court by a foreign investor under an investment protection treaty signed in 1990 with the US. It is also a rare instance of arbitration proceedings being implemented under any of the 13 bilateral treaties of this kind the US has.

Ameritech's case is based on a written promise made by the Polish government in 1991 stating the US company, in partnership with France Telecom and TP, would be granted a GSM operating licence when the frequencies became available. The pledge was part of an agreement under which the three partners established Centertel, which now operates an analogue NMT system on a different frequency for more than 75,000 subscribers. The joint venture has already invested $200m in the project.

> The legal threats have cast a pall over an international tender for two GSM licences

France Telecom is considering taking the Polish government to court under the country's European Union association agreement and a statement is expected today.

The present tender requires consortiums bidding for the two licences to be at least 51 per cent Polish-owned. The winning bidders would have to pay an initial licence fee worth about Ecu100m ($127m) and subsequent annual payments. The successful bidders are likely to attract an estimated 500,000 business subscribers for a service which is forecast to require a $1.2bn investment.

Volkswagen switches work to low-cost unit in Slovakia

VW's Bratislava plant has no robots but the wages of the highly educated workforce are a tenth those of Germany, writes Kevin Done

Volkswagen, Europe's leading carmaker, is rapidly expanding its operations in Slovakia as part of its effort to develop plants in east Europe to offset its high cost structure in Germany.

Volkswagen Bratislava, its Slovak subsidiary, has more than doubled car production to 20,000 this year from 8,000 in 1994 and 3,000 in 1993. Car output is planned to rise by a further 50 per cent to 30,000 in 1996, said Mr Karl Wilhelm, technical managing director.

VW has moved all production of its fourwheel drive Golf Syncro family hatchbacks and estate cars for the European market from Wolfsburg, its main plant in Germany, to Bratislava.

Output of the technically sophisticated fourwheel drive cars will be increased to around 20,000 in 1996 from 13,500 this year, while the company is planning to assemble about 5,000 frontwheel drive Golfs and 5,000 Passat large family cars for sale in Slovakia and in other markets in central and east Europe.

VW is also developing the Bratislava plant for the assembly of gearboxes and the machining of some gearbox components in order to lower costs at its main German gearbox plant at Kassel. The German carmaker began gearbox assembly in Bratislava in 1994. Output has been raised from 46,000 in 1994 to 185,000 this year and is planned to rise further to 260,000 in 1996.

A Golf comes off the assembly line in Bratislava

This year it has also moved a machining line from Kassel to Bratislava and will produce around 600,000 gearbox parts for use at both the Slovak and Kassel plants.

Mr Wilhelm said that the Bratislava plant was being used as "an extended workbench" for the Kassel operation. "They have cost problems. Machining these components in Bratislava cuts the cost of a gearbox by DM5 per unit and makes Kassel more competitive. This is interesting for both plants and gives them a long-term future."

The workforce at the Bratislava plant is growing rapidly as a result of the transfer of operations from Germany and has increased from 817 a year ago to 1,950 by the end of this year.

VW has now developed a low-cost assembly plant with body welding, paintshop and final assembly operations. Parts arrive every night directly at the plant by train from Braunschweig, Germany through the Czech Republic.

Mr Jozef Uhrik, commercial managing director, said that the plant's big advantages were the high skill levels of the workforce and low wage costs, as well as its location close to the borders with Austria – it is only 60km east of Vienna – and Hungary.

The Bratislava operation is being developed for the assembly of niche vehicles, that can be produced much more cheaply in a flexible, labour-intensive plant than on the highly automated, capital intensive assembly lines of VW's big German plants. The plant has no robots.

The average age of the workforce is just over 28 years, and more than half of the workforce has Abitur (A-level) qualifications or higher, while wage levels are less than a tenth of those in Germany. The plant had consistently ranked in the top third of VW operations worldwide for quality, according to internal company audits, said Mr Uhrik.

VW has also been able to take advantage of the restructuring of the Slovak arms industry, one of the big centres for weapons production in the former east bloc, by attracting more than 300 skilled workers from former armaments factories. The 2,000-strong workforce has been selected from more than 16,000 applicants.

Sales of heavy trucks in West Europe rise by 21%

By John Griffiths

Western Europe saw a substantial recovery in its truck market in the first three quarters of this year, according to the European Automobile Manufacturers Association.

Registrations of trucks over 5.1 tonnes rose in 15 of the 16 countries being monitored. The exception was Austria, one of the smallest markets, where registrations fell 16.5 per cent.

The recovery was centred on the heavy trucks sector – vehicles over 12 tonnes – with 137,074 registrations, a rise of 21.6 per cent on a year ago. In Germany, by far the largest national market, they rose by 14.4 per cent, to 28,505.

Recovery in the lighter trucks sector, for vehicles between 5.1 and 12 tonnes, was much weaker. The 54,253 registered in the period represented a 6.3 per cent rise.

Both manufacturers and industry analysts predict more growth for truck sales in western Europe next year, despite unease about growth prospects.

The Economist Intelligence Unit, for example, forecasts 7.5 per cent growth in the over-6 tonnes sector to reach 261,800 units next year. The EIU expects a cyclical dip over the following two years, but with growth resuming to reach 272,000 units at the end of the decade. Next year is considered particularly pivotal by Mercedes-Benz and Renault, two of the region's largest truck makers.

Western Europe New Truck Registrations

	1995 Total	% change 1994/5
Austria	4,000	-16.5
Belgium	7,100	27.7
Denmark	3,681	32.4
Finland	1,717	27.5
France	31,381	21.4
Germany	54,598	6.4
Ireland	2,500	11.5
Italy	14,962	28.5
Luxembourg	461	34.9
Netherlands	9,800	16.4
Portugal	2,476	3.6
Spain	12,800	34.7
Sweden	2,125	17.0
UK	38,618	19.5

Source: ACEA

WORLD TRADE NEWS DIGEST

Thailand to buy more Burma gas

Thailand's Petroleum Authority (PTT) has expressed interest in buying an additional 200m cubic feet per day (cfd) of natural gas from Burma provided the price is between $2.70 and $3 per BTU.

Under a gas supply agreement signed in February PTT will buy 525m cfd of natural gas from a consortium led by Total of France, Unocal of the US and PTT's exploration and production subsidiary. The $1bn project, including a pipeline from the Yadana field in the Andaman Sea off Burma's southern peninsula to Thailand, is the first major petroleum project since Burma opened up its petroleum sector in 1988.

The Yadana field is estimated to hold as much as 5,800bn feet of natural gas, a quantity which should make commercial exploitation viable. Thailand needs this fuel to guarantee private foreign investors adequate energy supply for their planned investments in a rapid expansion of the country's electricity generation capacity. Delivery is expected to begin in 1998. *Ted Bardacke, Bangkok*

NKK to invest in China tin unit

NKK, the Japanese steelmaker, has agreed to set up a tinplate manufacturing facility in China, in a joint venture with Taiwanese companies. The venture, in Fujian province, will be 65 per cent owned by NTT and six trading companies and 35 per cent owned by Taiwanese interests.

NKK's move follows similar plans by Kawasaki Steel and Nippon Steel.

Chinese demand for tin, which is used mainly for food and beverage cans, totals about 700,000 tonnes a year but the market is expected to surge to over 1m tonnes by the end of the decade.

Japanese tin manufacturers have been facing a difficult time maintaining production at home as a result of falling exports in the face of the high yen.

NKK, for example, has traditionally relied on exports for slightly less than 50 per cent of production. But next spring, the company will close one of its two tin-making facilities in Japan in an effort to cut substantially on exports, which have been hit by the high yen and increased local production in its overseas markets, and concentrate on the more profitable domestic market. *Michiyo Nakamoto, Tokyo*

UAE in Chinese gas venture

A United Arab Emirates trading group has set up a petroleum gas joint venture near Tangshan city in north China, Xinhua news agency reported. Tangshan International Petroleum Gas involves investment of $22m, of which $4.4m was from Tangshan's Jingtang Port office, the official agency said. The joint venture would build a 10,000-tonne berth for petroleum gas transportation, a 20,000-tonne gas tank and supplementary facilities, including storage for 520,000 cubic metres of petroleum gas. *Reuter, Beijing*

■ Fuji Heavy Industries has agreed to take a 15 per cent stake in a Chinese vehicle manufacturer, Hebei Zhongxing Automobile, and provide technical assistance in the manufacture of commercial vehicles. Fuji Heavy, which belongs to the Nissan Motor group, will also provide technical assistance in parts production. *Michiyo Nakamoto, Tokyo*

■ Voest-Alpine Industrieanlagenbau, part of Austrian engineering group VA Technologie, said yesterday it had won a Sch3bn ($296m) order to build two new Corex steel plants in South Africa and India. *Reuter, Vienna*

NEWS: THE AMERICAS

Clinton turns veto screw on Congress

By Jurek Martin in Washington

President Bill Clinton kept up pressure on Congress over the budget yesterday by vetoing two more regular annual appropriations bills already approved by the Republican-controlled legislature.

But the White House also left the door open to later negotiations with the Republican leadership in the hope of finding the basis for a temporary agreement to end the latest partial shutdown of government operations, now in its third day.

Mr Clinton justified his morning vetoes – of bills covering the interior, housing and veterans departments and the environmental protection agency – on the grounds of content. A third veto of a bill embracing the state, commerce and justice departments was expected later.

He said the interior bill, in particular, would roll back "decades of bipartisan environmental protection – and I cannot permit it to happen". On Sunday, Senator Bob Dole, the majority leader, had urged Mr Clinton to overrule Vice President Al Gore's objections to this measure.

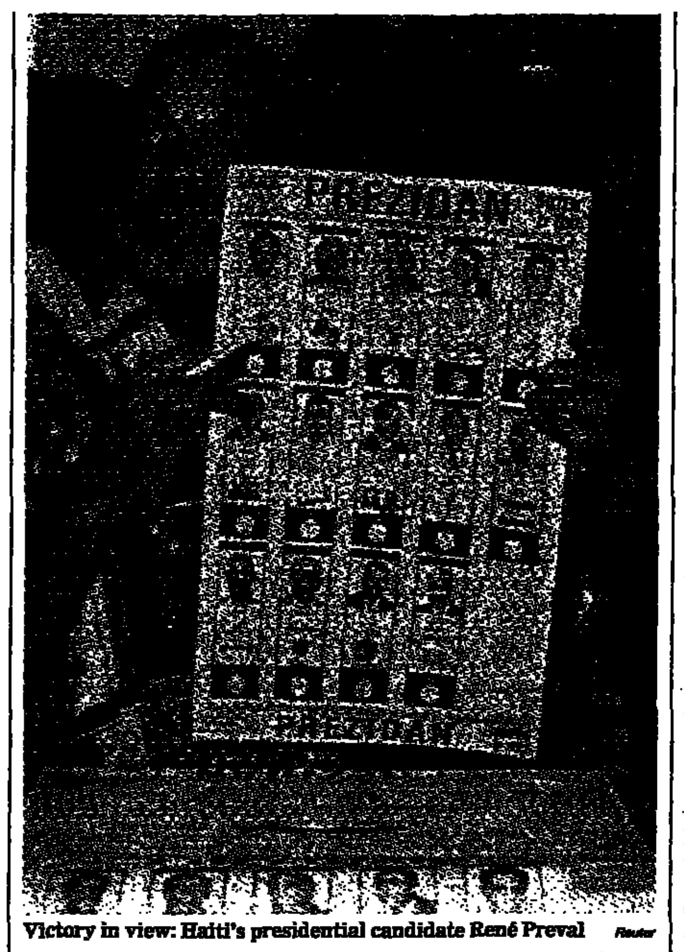
The White House also cited what it saw as unwarranted cuts in spending for housing, law enforcement and federal subsidies for the arts and humanities. So far only seven of the 13 appropriations bills have cleared Congress and been signed by the president.

This brings to nine the number of vetoes Mr Clinton has exercised during his term, all during the last few months. With Democrats more united behind him than for many months, the chances of any being overridden by two-thirds votes in both houses are minimal. Mr Leon Panetta, the White House chief of staff, conferred with Democrats on Capitol Hill and hinted at a later session between the president and the Republican leadership at which, he said, Mr Clinton might present "new ideas" for breaking the budget deadlock.

There was also growing pressure for accommodation from a bipartisan group of moderate Democrats and Republicans. Senator John Breaux, the Louisiana Democrat, said his group had talked to Mr Panetta and Senator Pete Domenici, chairman of the budget committee, and found both ready to consider compromise.

But Mr Breaux said it was important any new "continuing resolution" temporarily funding the government be presented without conditions so 280,000 federal employees could return to work.

Mr Dole might prefer this approach and resume overall budget negotiations after the upcoming holidays, even though that might interfere with his campaign for the Republican party's presidential nomination. But Republicans in the House, where any new resolution must originate, were still holding fast.



Victory in view: Haiti's presidential candidate René Preval Reuter

Preval set to succeed Aristide in Haiti

By Canute James in Kingston

Mr René Preval, Haiti's former prime minister, is believed to have won a comfortable majority in Sunday's presidential election and is set to be installed as President in early February as successor to Mr Jean-Bertrand Aristide.

Mr Preval was endorsed at the weekend by Mr Aristide, and is supported by the Lavalas political coalition which backs the president.

The coalition won parliamentary elections earlier this year.

Election officials yesterday began to count votes cast in the poll, saying a result would be declared in 10 days. The turnout was lower than in the 1990 election in which Mr Aristide scored an emphatic win.

Unofficial estimates yesterday indicated between 35 per cent and 40 per cent of the 3.5m registered voters had cast ballots.

Transparency pays off in drive for Latin American fiscal discipline

Lies, damn lies and budgets

By Stephen Fidler, Latin America Editor

One former Latin American minister recalls the one budget decision always last and most important on the cabinet agenda: "We had to decide whether to lie or not to lie about it."

"The problem with telling the truth was that people would assume we were lying anyway," he says.

In most Latin American countries, government budget announcements are received sceptically and there are no independent budget offices to judge their veracity.

Yet, according to a study by economists working with the Inter-American Development Bank, transparency in budget procedures is one of a number of important factors that contribute to fiscal discipline.

The study examines the fiscal performances of Latin American and Caribbean economies and attempts to get to grips with the budget procedures and institutions most associated with fiscal discipline.

The variation in performance is large, although it has improved on average substantially in the last decade. Between 1989 and 1993, Jamaica produced the greatest central government surplus of an average 3 per cent of GDP, followed by Chile and the Dominican Republic. At the other end of the scale, Guyana's deficit was largest at 13.6 per cent of GDP, followed by Suriname and Brazil.

The most effective procedures to guarantee budget discipline, the study finds, tend to be "hierarchical" and "transparent". "Hierarchical procedures are those that for instance limit the role of the legislature in expanding the size of the budget and its balance, attribute a strong role to a single individual (typically the treasury minister) in the budget negotiations, limit the prerogatives of spending ministers and impose macroeconomic constraints on the size of the deficits," it says.

The paper argues, however, that balanced budget laws are not necessarily helpful. Balanced budget laws "create incentives to engage in creative accounting ... and may actually be counter-productive since they make the entire process less transparent."

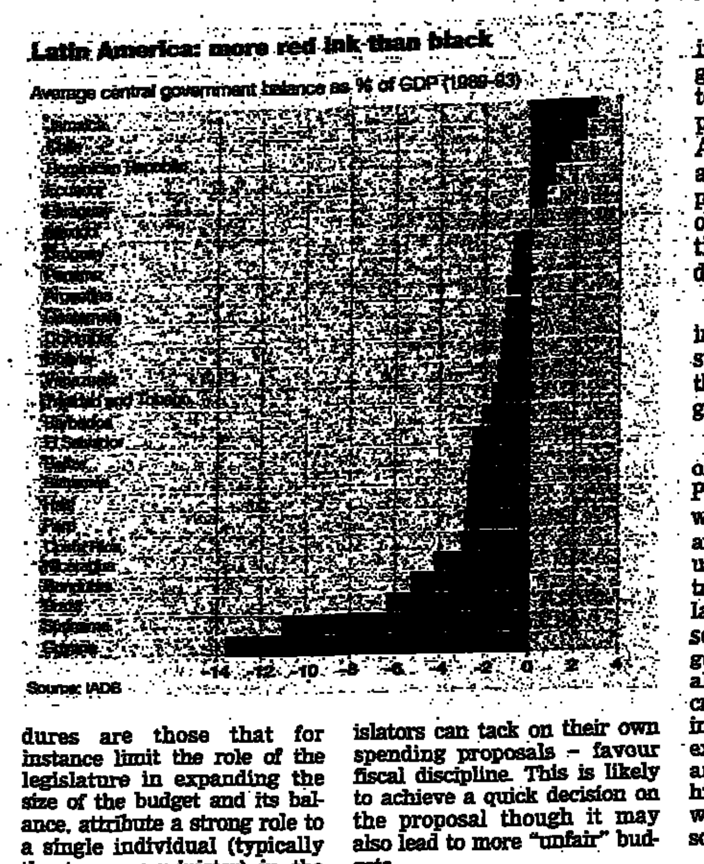
It says voting procedures which allow parliaments only to vote for or against budgets proposed by the legislature – rather than those in which legislators can tack on their own spending proposals – favour fiscal discipline. This is likely to achieve a quick decision on the proposal though it may also lead to more "unfair" budgets.

Yet even the most stringent of procedures may be circumvented if opaque budget documents leave open the possibility of creative accounting. "Politicians have incentives to hide taxes, over-emphasise the benefits of spending and hide government liabilities, equivalent to future taxes," the paper says. "Thus they have little incentive to produce simple, clear and transparent budgets."

Mr Ricardo Hausmann, chief economist at the IADB, says an independent budget office to assess the budget can play an important role.

Latin America: more red ink than black

Average central government balance as % of GDP (1989-93)



Source: IADB

He also emphasises the importance of making contingency arrangements for shocks to the fiscal accounts. This is particularly important in Latin America because governments are often unable to borrow to provide temporary cushions to offset a worsening fiscal position, because their access to debt markets is often cut.

Such arrangements could include the establishment of a stabilisation fund to cope with the most volatile of flows to government coffers.

When presented to a group of economists last month in Paris, the paper was broadly welcomed. It was criticised, among other things, for perpetuating the idea that administrations were "good" and legislatures "bad" in the budget setting process. The contingency arrangement idea was also seen as threatening a creeping growth of government in which windfall losses to the exchequer lead to higher taxes and every windfall gain to higher spending. Moreover, it was argued, fiscal deficits are sometimes justified.

The study reflects work in an area some observers are calling the new Washington consensus, in which economic policymakers and financial organisations are placing less weight on economic variables and more on the way government institutions function.

Budget Institutions and Fiscal Performance in Latin America. By Rudolf Hommes, Alberto Alesina, Ricardo Hausmann, Ernesto Stein. Paper to be published in 1996 in Securing Stability and Growth in Latin America by OECD Publications, 2 rue André-Pascal, 75775 Paris, Cedex 16.

Ontario seeks sweeping new powers to accelerate state roll-back

By Bernard Simon in Toronto

Ontario's new conservative government plans to gain sweeping powers over health, education and other public services to push through its accelerating "common sense revolution".

Public hearings, running for 12 hours a day, began in Toronto yesterday on a bill, known as the Savings and Restructuring Act, that will enable the government to force its agenda on provincially funded bodies, including municipalities, hospitals and schools.

The Tories, who came into office in June, have promised a large scale roll-back of the public sector in Ontario, which contributes about 40 per cent of Canada's economic activity. With a right-wing ideological fervour seldom seen in Canadian politics, the new government has already announced sharp spending cuts, including 22 per cent in welfare payments, termination of 30 business subsidy programmes, and introduction of user fees for prescription medicines.

The measures are designed to rein in Ontario's debt, which has more than tripled to C$100bn ($78bn) over the past decade, making the province one of the biggest non-sovereign borrowers on international capital markets. The Tories aim to balance the budget by the year ending March 31 2001 with no direct tax increases. This year's deficit is projected at C$9.3bn.

Public support for Mr Mike Harris, the province's premier, remains high, despite vocal protests by trade unions and anti-poverty groups. The Angus Reid Group, a polling company, said most people felt the government was carrying out what it was elected to do.

However, one lobbyist said concern had grown in the business community that the Tories were pressing ahead without adequate consultation.

The government was forced to hold public hearings on the omnibus restructuring bill after opposition parties in the provincial legislature staged an all-night sit-in to protest at steamroller tactics.

Under the bill, which runs to 211 pages, the government will be able to bypass local authorities to close and merge hospitals. It will also be empowered to limit the number of doctors practising in any area. Another provision clears the way for municipalities to privatise water and sewage facilities, public transport, and power utilities.

Notice of Interest Rate

To the Holders of

The United Mexican States

Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from December 18, 1995 to June 18, 1996 is detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
DMK Discount Series	4.87813 Pct. P.A.	DMK 23.27 Per DMK 1,000	June 18, 1996

December 18, 1995 CITIBANK, N.A., Agent

INTERNATIONAL PEOPLE

Viault bows out in KJS reshuffle

Raymond Viault, 51 (left), has resigned as chief executive of Kraft Jacobs Suchard, following a management reshuffle at Philip Morris, KJS's US parent. Viault, a former president of Maxwell House Coffee, became chief executive of Jacobs Suchard in 1990, following its acquisition by Philip Morris. Three years later PM merged its Kraft General Foods Europe with Jacobs Suchard and Viault was put in charge of a combined operation which was Europe's third biggest food manufacturer, with sales of $9bn.

PM has now decided to break up KJS into three regional groups as part of a wider restructuring of Kraft Foods International. Roger Deromedi, 42, area director for France, Iberia and Benelux, becomes president of Kraft Jacobs Suchard Western Europe; Ronald J. Bell, 45, area director for Nordic, UK and Ireland, becomes executive vice president of Kraft Jacobs Suchard Northern Europe; and Bernhard Huber, 50, area director for Austria and Central and Eastern Europe, becomes executive vice president for Kraft Jacobs Suchard Central and Eastern Europe, Middle East and Africa.

All three will report to Louis Camilleri, 40, PM's former senior vice president corporate planning, who has been appointed chief executive of Kraft Foods International. Camilleri will add the title of chairman when John Keenan, 59, retires early next year. *William Hall*

Barth quits Total

Jean-Paul Barth, a vice president of Total, the French oil group, has been appointed head of Générale Occidentale, the media and communications subsidiary of Alcatel Alsthom. His move mirrors that of Serge Tchuruk, who left the helm of Total to take over at Alcatel Alsthom last summer. Both had also previously worked at Rhône Poulenc, the chemicals group.

The 53-year-old Barth inherits an operation in the midst of restructuring. In October, Alcatel announced that it was selling its print and publishing interests, part of Générale Occidentale, in a deal worth an estimated FFr4.7bn ($1bn). Générale Occidentale's assets now include cable television and radio stations such as Euronews and Radio Nostalgie. Barth, who replaces the retiring François de Laage de Meux, will also be responsible for Alcatel's real estate and insurance activities. *John Ridding*

Saudi Aramco head

Abdullah Saleh Jumma has been confirmed as head of Saudi Aramco, the world's largest oil producer. Jumma, a veteran Aramco executive, has been acting president and chief executive since last August, when Ali al-Nuaimi, the former Aramco head, was named oil minister.

Industry analysts do not expect any sharp changes in Aramco's strategy under Jumma. The company is limited by its quota from the Organisation of Petroleum Exporting Countries to producing 8m barrels of oil a day. Aramco is expected to maintain its policy of securing downstream markets for the oil by entering into joint venture refining and marketing agreements with foreign partners, especially in Asia. *Robert Corzine*

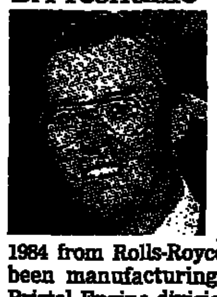
Melin for Arjo Wiggins

Arjo Wiggins Appleton, the Anglo-French paper which is struggling under the burden of rising pulp prices and customer destocking, has appointed Daniel Melin – chairman and chief executive of Saint-Louis, the French paper and food group – as deputy chairman. Saint Louis holds 40 per cent of Arjo.

In his new role, Melin will chair an executive committee charged with setting and implementing group strategy. His arrival will enable Alain Soulas, Arjo chief executive, to devote more of his time to restructuring the group's European manufacturing operations.

The former Schneider group executive was appointed chairman of Saint-Louis in May, replacing the late Bernard Dumon, who was killed in an air crash last January. Andrew Shaw, Arjo's corporate development director, will become group finance director in the new year, replacing Andre Charles, who is moving to Saint-Louis. *Tim Burt*

BA reshuffle



British Airways has promoted Alistair Cumming, 61 (left), its engineering chief, to the new post of chief operating officer. Cumming joined BA in 1984 from Rolls-Royce, where he had been manufacturing director of its Bristol Engine division.

Cumming's appointment is part of a management reshuffle instigated by Bob Ayling, who takes over as BA's chief executive on January 1. He has reduced the number of people who will report to him from 25 to 11. The others are: Derek Stevens, chief financial officer; Ford Ennals, marketing director; Charles Gurassa, director of passenger business; David Holmes, director of corporate resources; Mike Jeffery, director of flight crew; Roger Maynard, director of investments and acquisitions, who will sit on the boards of Qantas of Australia and USAir, in which BA holds minority stakes; John Patterson, strategy director; Valerie Scoular, customer service director; Mike Street, operations director; and Peter White, sales director. *Mike Skapinker*

Maytag defection

John Cunningham, 58, is defecting to Michigan-based Whirlpool Corporation after only two years in the chief financial officer's seat at Maytag Corporation, one of Whirlpool's smaller rivals in domestic appliance markets.

Maytag has been far less successful than Whirlpool in its bid to become a global force, and this may have something to do with Cunningham's early departure. Cunningham spent 27 years with IBM and was former financial controller of IBM's $26bn European subsidiary. Whirlpool, which sells its main brands in over 120 overseas markets, says that it needs Cunningham's skills as it continues to implement a global growth strategy.

Cunningham replaces Michael Callahan, who left Whirlpool to take a similar job at Chicago's FMC Corporation over a year ago. *William Hall*

ON THE MOVE

■ CRA, the Australian mining associate of Britain's RTZ Corporation, has named David Karpin, its group executive for economic resources, as chairman of BOUGAINVILLE COPPER, the Papua New Guinea copper operation. He succeeds David Klingner, CRA group executive – energy. Grant Thorne, previously vice president – research & technology of Comalco, becomes managing director of Bougainville Copper.

■ Graeme McGregor, currently chief executive of BHP Service Companies, has been named executive general manager finance (designate), from February 1. He will succeed Geoff Heeley in the group finance role when he retires next August. Paul Jeans, currently group general manager of the slab and plate products division, replaces McGregor at BHP Service Companies.

■ KMART, the US discount retailer, has recruited an outsider, 47-year-old Martin Welch III, as its new chief financial officer and senior vice president. Welch was most recently finance chief at Federal-Mogul, a US manufacturing components manufacturer, and previously worked with Chrysler Corporation. Joseph Collins, 46, meanwhile rises from Kmart vice president, strategic business integration and productivity improvement, to the new position of senior vice president – logistics.

■ Alvaro Damaso has resigned as chairman of Portugal's financial markets supervisory committee, CMVM, because of his political commitments in the Azores, where he was previously regional finance minister under the Social Democratic party.

■ Michael Patterson, 53, has been elected a director and vice chairman of J.P. MORGAN. He joined the global banking firm in 1987 as general counsel, and has been chief administrative officer since November 1994.

■ Robert Duggins, chief executive of HSBC Life, becomes HSBC Asset Management's chief executive, Asia Pacific. He succeeds Thomas Thompson, who is leaving the group.

■ Judith Sloan, professor of labour studies at South Australia's Flinders University, becomes a non-executive director of MAYNE NICKLESS.

■ Rolf Karg, management chairman of ABB Turbinen Neurnberg, has been appointed deputy board member at Asea Brown Boveri AG, with responsibility for the company's industry division. Peter Buttmann, management chairman at ABB Umwelttechnik, succeeds him.

■ Steven Schoch, 37, becomes treasurer and Chip Perry III, 42, vice president, corporate development at TIMES MIRROR, the Los Angeles publishing group. Schoch was previously vice president, treasurer at Euro Disney, and Perry was vice president, strategic alliances at the LA Times.

■ David Osterhout, 56, vice president for defence and aerospace legislative affairs at LOCKHEED MARTIN, succeeds Dan Peterson as vice president of Washington operations, when he retires on January 31. Osterhout will be responsible for liaison with all arms of government and Congress, and for co-ordinating marketing activities.

■ Ronald Zech has been elected chief executive officer of GATX CORPORATION, in addition to his position as president, from January 1. Brian Kenney becomes treasurer.

■ Sven Andreasson has been appointed head of Upjohn France, and will take over as head of the new Pharmacia-Upjohn grouping in France, once the formalities of the merger are complete.

■ Serge Marx replaces Philippe Jacquier as chairman of Bally-France.

■ Derek Kimber, chairman of LONDON & OVERSEAS FREIGHTERS, is retiring. He will be succeeded by Ian McGrath, who was managing director of Shell International Shipping until his retirement in January 1995.

■ Friedel Roedig becomes group authorised agent for alliances and co-operation at LUFTHANSA. Frederick Reid, 45, area manager for north and south America, takes his old job as executive manager in the marketing division.

■ Patrice Duhamel becomes managing director of RADIO FRANCE.

■ Peter Ellegast, 56, is stepping down as chief executive of WOOLWORTH Germany on December 31, after 18 years in the post.

■ Herbert Haas and Dirk Lohmann rise to full board members at HANOVER RE and Eisen and Stahl Re, from the beginning of 1996. Winifried Krueger is to step down from the boards of both companies at the end of this year.

■ Michael Kane, 44, is to be vice president international development at USG CORPORATION from January 1, retaining his role as vice president, Pacific rim operations.

■ Dominique Illien, 42, becomes managing director of GROUPE SLIGOS, the information management services company. He was previously with Cap Gemini Sogeti and Axime, where he was chief financial officer.

■ Jean-Michel Goudard is to join BBDO Worldwide as president, international on February 1. He became president of Euro RSCG International, the French communications group, after RSCG, of which he was a co-founder, in 1991.

■ Gunnar Bark is to retire as president and ceo of AUTOLIV, the Swedish vehicle accessories manufacturer, during the autumn of 1996, but will remain a director.

■ Francesco Zoccali, head of r&d at Olivetti Telemedia in Italy, joins the board of ACORN COMPUTER GROUP, replacing Ernesto Musemeci, who has resigned.

■ Robert Buechelhofer, 53, responsible for sales and marketing on the management board of Volkswagen, has joined the supervisory board of AUDI. He succeeds Prof. Ing Ulrich Seiffert, 54.

■ Anthony Fieleck becomes vice president of sales and marketing, for LUCAS BODY SYSTEMS North America.

■ Jan Inborr becomes chief executive officer of Finland's AHLSTROM PAPER GROUP and Thorleif Blok president. Tuomo Rönkkö has been appointed ceo, and Tom Jenkin president, of Ahlstrom Machinery. Juhani Hanninen becomes president of Ahlstrom Pumps.

■ Nils Alvheim, formerly senior vice president of Ugland Offshore AS, has been named managing director, MCDERMOTT NORWAY, responsible for setting up a new operation in Stavanger.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

مكبرا من الاصل

NEWS: UK

Investment in UK 'lowest for eight years'

By Robert Chote, Economics Editor

Direct investment in the UK by overseas companies dropped by more than a third last year to reach its lowest level for eight years, official figures showed yesterday. Non-UK companies poured only £6.15bn ($9.4bn) into Britain last year by buying businesses or providing loans to their subsidiaries. This was the lowest figure since 1986 and barely a third of the amount recorded in 1989 and 1990.

The government has long regarded overseas direct investment into the UK as a symbol of the country's underlying competitiveness.

The figures are based on a comprehensive annual survey, although provisional figures are also published with each quarterly balance of payments announcement. These quarterly figures suggest that overseas direct investment in the first half of 1995 may already have exceeded the total for 1994, although the data are prone to revision and tends to be erratic.

The main reason for the decline in overseas direct investment in the UK last year was a drop in the amount of money flowing in from the US. This fell from £5.1bn in 1993 to £1.9bn. Japan was a net disinvestor in the UK for the second time in three years, but companies elsewhere in the EU stepped up their investment in the UK from £1.7bn to £3.3bn.

Direct investment by UK companies in other countries rose to a five-year high of £18.5bn in 1994 from £16.9bn in the previous year. The bulk of the increase came from investment in companies in the Caribbean plus Central and South America.

Investment in Australian companies also increased sharply, but investment in those of most EU countries fell. The US remained the most important destination for UK direct investment although the flow there declined from £7.5bn to £5bn last year.

Earnings from overseas investment generated £21bn for the UK last year, the highest figure on record and up by a quarter on 1993. Last year was the third in succession for which total direct investment earnings have risen.

Investment earnings from the EU rose by about a third last year, with North America also posting a strong increase. Inflows from Australia increased by about 75 per cent to £1.7bn, but earnings from South Africa declined. Asia remained an important source of investment earnings, increasing its contribution from £2.6bn to £3.2bn.

● The UK Treasury insisted yesterday that it was still on course to achieve its Budget forecast for government borrowing this year, in spite of a public sector borrowing requirement for November well above City predictions.

The government borrowed £3.7bn last month to meet the shortfall between what it spent and raised from taxes. This was £63m more than in the same month a year ago, although government spending then had been erratically low.

The Central Statistical Office also said that the public sector borrowing requirement for October was £300m higher than first estimated. Officials said the discrepancy arose because someone had misread a figure over the telephone – the CSO said it will in future ask for confirmation by fax.

Northern Ireland Unemployment falls to 10-year low as investment rises

Catholics 'gain in jobs market'

By John Murray Brown in Dublin

The traditional imbalance in the numbers of Roman Catholics in employment in Northern Ireland could be eradicated within four years if current recruitment trends persist, says Mr Bob Cooper, head of the region's Fair Employment Commission.

The commission's latest report, details of which were published yesterday, suggests that the proportion of Roman Catholics in the workplace has risen by 2.4 percentage points between 1990 and 1994 to stand at 37 per cent. The Roman Catholic population of working age amounted to 40 per cent of the total.

The improvements occurred particularly in "managerial and professional occupations", says Mr Cooper. He sees the trend as evidence of the growing Roman Catholic middle class, where traditionally the problem of discrimination is less pronounced. But there are also increases in blue-collar employment, and Mr Cooper said they pointed to greater labour mobility in the region across the so-called "peace line" dividing Roman Catholics and Protestants.

Mr Ian Walters of the Training and Employment Agency said patterns of recruitment in recent new investments suggested that job seekers from one community are increasingly comfortable looking for work on the other side of the religious divide. About 30 large private-sector employers are now explicitly "welcoming" applications from the Roman Catholic community. That is as close as Northern Ireland's fair employment legislation comes to allowing affirmative action to counter the traditional bias against Catholics.

The Royal Ulster Constabulary, for example, has recorded a doubling of Catholic applications this year from about 10 per cent to 22 per cent. Only about 9 per cent of officers in the constabulary – the Northern Ireland police force – are Roman Catholics. The constabulary has long been seen by nationalists as upholding Protestant dominance.

The commission, established in 1989 with powers to counter anti-Catholic work practices, monitors more than 4,000 private companies and 110 public bodies. Mr Cooper says that while improvements had been made in the proportion of Roman Catholics in work, they were still more than twice as likely to be unemployed as Protestants. Unemployment, although still high at 11.5 per cent of the workforce, has fallen to a 10-year low amid signs of growing inward investment.

Senior Sinn Féin officials yesterday told the American-led commission investigating weapons in Northern Ireland that the Irish Republican Army would disarm only as part of a negotiated settlement in the province.

Former Senator George Mitchell's confidential talks with Sinn Féin leaders Mr Gerry Adams and Mr Martin McGuinness capped four intense days of meetings aimed at creating room for manoeuvre in the deadlocked Northern Ireland peace process.

Sen Mitchell and his deputies – Canada's senior military officer, Gen. John de Chastelain, and former Finnish Prime Minister Harri Holkeri – held discussions and received documents from most of the conflict's key figures in Belfast and Dublin.

"In four days they've probably met more people, and received more submissions, than the British government have done in the last 16 or 17 months," said Adams, who hopes the commission sides with his demand that there should be political negotiations now and talks about weapons later.

***Sen Mitchell, the senior representative of the* Clinton administration in Ireland, will now return to Washington facing a mid January deadline to make recommendations on progress towards a possible disarmament deal.**

Mr Adams and Sir Patrick Mayhew, chief Northern Ireland minister in the British government, are to meet in Belfast today and Sir Patrick is due to meet Mr Dick Spring, the republic's deputy prime minister, tomorrow.

European Union Shake-up of assistance distribution map abandoned

Industrial regions receive aid boost

By George Parker, Political Staff

The European regional aid map is to be frozen until 1999, opening the way for a £2bn ($3.06bn) boost to many of the UK's industrial heartlands over the next four years.

Europe's industry ministers have forced Mrs Monika Wulf-Mathies, the EU regional policy commissioner, to abandon plans for a sweeping review of the aid map in 1996.

Mrs Wulf-Mathies wanted to redraw the map – drawn up in 1993 – to reflect changing economic circumstances, but Britain and other EU states argued that existing policies needed longer to settle down.

Mr Tim Eggar, Britain's industry minister, insisted on an extension to the lifespan of the current map, even though many areas designated for aid are already recovering strongly from recession.

"We argued that to start changing the map after two or three years was far too early," he said. "That view has prevailed, and that is very good news. Apart from the difficulties of planning projects over such a short timescale, we were worried we would suffer in a review."

Ministers responsible for regional aid met informally at the European Union summit in Madrid last weekend, and agreed the current programme should be allowed to continue.

Officials in Brussels said it was now "very unlikely" Mrs Wulf-Mathies would propose any significant alterations to the existing map, but that the aid programme would focus more strongly on jobless blackspots inside the current scheme.

The freeze will benefit Britain, whose unemployment rate has fallen sharply since the map was drawn up in 1993, and might have expected to lose out in any review.

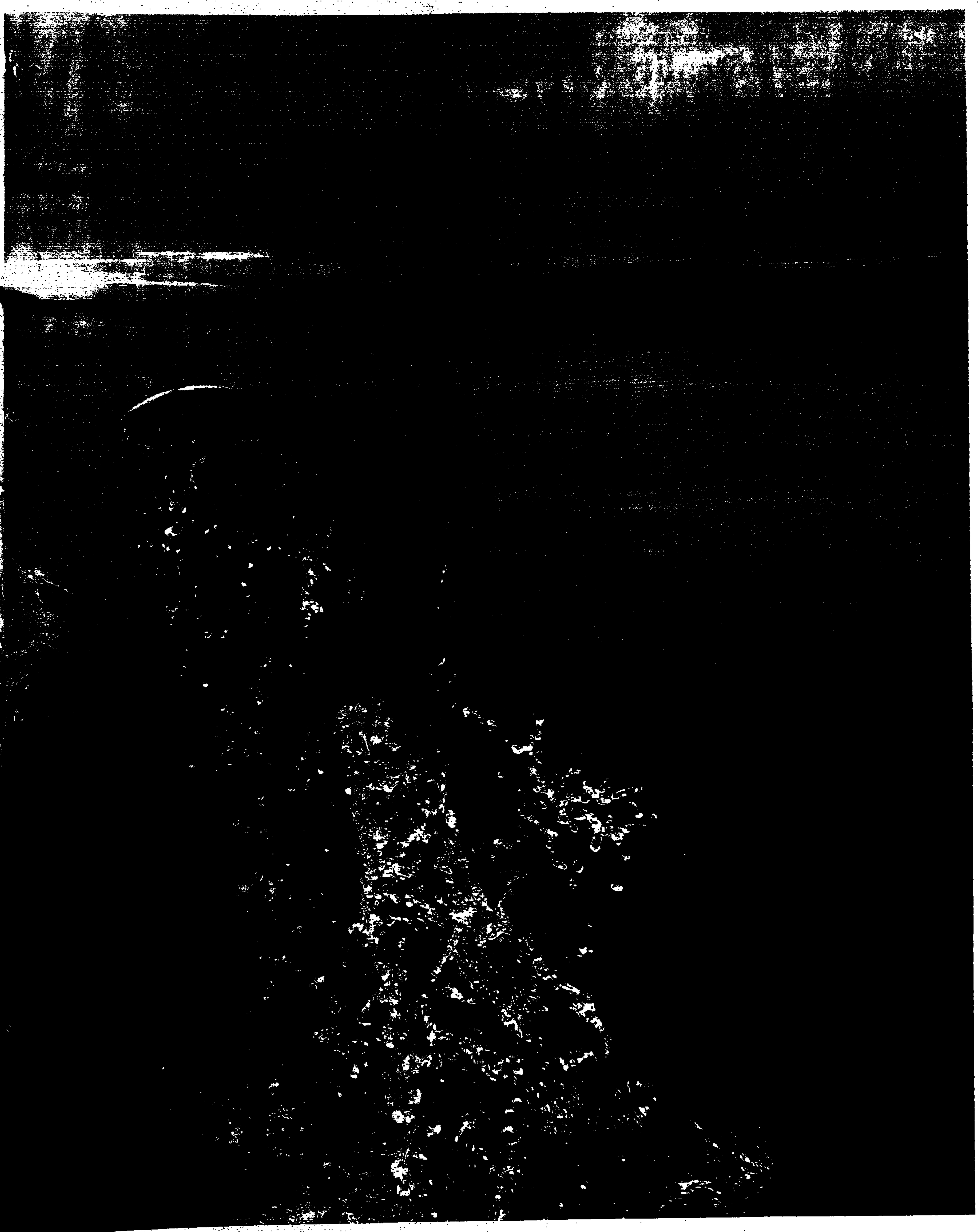
Almost 18m people in Britain live in areas which receive aid under Objective 2, which provides help in areas with declining industry. The 1993 review included many UK areas not previously associated with such problems, including Thanet in Kent, Burton-on-Trent and parts of London.

Other areas included under the scheme, which will bring in £1.7bn in Brussels aid between 1994 and 1996, included Manchester, Tyne and Wear, Humberside, the West Midlands, Gwent, Plymouth and West Cumbria.

Since the map was compiled, Britain has made a comparatively healthy recovery from recession. In 1993 the UK's unemployment rate was 10.4 per cent compared with an EU average of 10.9 per cent; in August 1995 it was 8.9 per cent compared with a European average of 10.6 per cent.

The Objective 2 structural fund is expected to provide 8.1bn Ecu of aid to the poorest areas of Europe between 1997and 1999.

The amount of money available for regeneration projects such as training and infrastructure work is doubled *through matching funds from* central and local government. Although Mrs Wulf-Mathies will not order a wholesale redrawing of the map, she is keen to focus aid on the worst unemployment blackspots within the current aid programme – a policy which is supported by EU industry ministers.



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Think tank points to lower skill levels in Britain

Quality of products 'higher in Germany'

By Lisa Wood, Employment Staff

The average quality of goods made in Germany is higher than that of goods made in Britain, the National Institute for Economic and Social Research, one of the oldest think tanks in Britain, said yesterday. *It said the difference* resulted mainly from Germany's higher skill levels.

The institute investigated products from the clothing, garden tools and manufactured foods industries.

It found that Britain produced little of top quality, while there was a strong German presence at the top of the market. Top-quality grades, said the Institute, accounted for about a third of total German production in the sectors investigated. They accounted *for less than a tenth of* British production.

The institute, which has carried out extensive international comparisons on productivity, education and training, said that higher levels of skill in Germany contributed to higher-quality production in three ways:

● *Higher worker skills permitted* changeovers in production to be done faster and more efficiently. This permitted more efficient supplies of shorter runs of specialised varieties with higher added value.

● Training of designers and technicians in Germany included greater practical content than in the UK, and this enabled them to marry theory and practice more effectively than UK workers. In the clothing industry, for example, many UK designers would have attended art school while their German counterparts would have had practical experience as apprentices before learning technical information about fabrics.

● Greater quality consciousness among German consumers provides manufacturers with a stimulus to high-quality *production.*

The institute examined the implications of its results for existing estimates of international differences in real income per head and productivity. It suggested that "proper adjustment for quality would substantially increase estimates of the German productivity advantage in manufacturing to around 50 per cent above Britain and raise estimates of real income per head to some 40 per cent above Britain."

Government backtracks in railway sell-off row

By Charles Batchelor and George Parker

The government yesterday attempted to sidestep a legal obstacle to its rail privatisation programme by rephrasing its instructions on the minimum levels of service.

But Save our Railways, the anti-privatisation group which has been fighting the sell-off through the courts, said it would decide today whether to launch a further court challenge on the grounds that Sir George Young, the transport secretary, had acted beyond his powers.

Sir George told the Commons yesterday he was "clarifying" his instructions so "they reflect beyond doubt the policy we have always followed".

On Friday, the Appeal Court ruled that Mr Roger Salmon, the railways' franchising director, had failed to follow an instruction to base his minimum service levels on the previous British Rail timetable by setting them too low.

Sir George told MPs: "Franchisees should have flexibility to adjust commercial services while ensuring through the franchise agreement that a core service level is protected." The aim was to ensure "that service levels operated by franchisees will be broadly similar to those operated immediately prior to franchising."

He also said he would go beyond the requirements of the Appeal Court's judgment by instructing the franchising director to take account of the commitments and plans made by franchise bidders to provide services over and above the minimum levels.

Sir George said: "In practice, bidders for the first franchises are offering significant commitments in addition to the minima required . . . and these have been taken into account by the franchising director in evaluating bids. But I have judged it right to require him formally to do so for the future."

Despite Sir George's statement, the franchising director's office said it was still uncertain whether it would be announcing details of the sale of the first three franchises today as previously planned.

Plans to privatise Her Majesty's Stationery Office, parliament's official printers, were boosted yesterday after the government said the proposals would not require a legislative vote in the House of Commons next year. Amid signs that some MPs in the governing Conservative party are anxious about the proposed sell-off of HMSO, which has printed nearly all parliamentary documents for 200 years, ministers said the plan would be implemented without a bill or legislative order.

UK NEWS DIGEST

Man cleared in 'supergun' case is held

Mr Paul Grecian, the former managing director of Ordtec, must wait until Thursday to learn if he will be released from jail in South Africa. Ordtec is a British-based company which exported artillery fuses to Iraq for its supergun before the Gulf war. Mr Grecian's conviction for selling parts for a supergun was overturned by the Court of Appeal in London last month after security service papers showed the government had turned a blind eye to the deals in return for intelligence about Iraq's military build-up. But he was arrested last Friday on arrival at Johannesburg on an Interpol warrant for his extradition to the US.

Mr Grecian, 40, appeared in a Johannesburg court yesterday to apply for bail. If extradited, he is expected to face trial in the US on identical charges to those on which he was initially convicted in the UK, as well as a further charge of bank fraud. *PA News*

Decision on fate of watchdog is postponed

THE NATIONAL LOTTERY

Mrs Virginia Bottomley, minister responsible for the National Lottery, postponed a decision on the fate of Mr Peter Davis, director-general of the Office of the National Lottery. She will decide whether to demand the resignation of Mr Davis after she has studied a full report from government officials. Mr Davis has come under increasing fire because both he and members of his staff accepted free flights from Gtech, the US manufacturer of lottery equipment which is a minority shareholder in Camelot, the consortium which operates Britain's lottery.

The flights, designed to look at a range of lotteries in the US, occurred in October last year, long after the UK lottery licence had been awarded and about a month before the launch of the game. Mr Davis said after a two-hour meeting with government officials yesterday: "They are now considering the matter; I am going back to work." Mr John Major, the prime minister, is understood to have been consulted on the issue of Mr Davis's job.

John Kampfner and Raymond Snoddy

Director of car parts group falls to his death

A senior director of Unipart Industries fell to his death yesterday from the fourth-floor offices of a Tokyo components manufacturer with which Unipart is in partnership. Mr Geoffrey Till, 37, Unipart Industries' engineering and sales director, plunged to his death after leaving a conference room where he and Unipart Industries managing director, Mr David Nicholas, had been holding a routine meeting with executives of Unipart's long-time partner, Yachiyo Kogyo. Unipart executives refused to comment on Tokyo police reports that Mr Till, who was also accompanied by his wife on the trip, appeared to have committed suicide. *John Griffiths, Industrial Staff*

Dispute over ex-soldier goes to European court

The case of a British veteran of the 1982 conflict with Argentina over the Falkland Islands was referred to the European Court of Human Rights. The European Commission on Human Rights in Strasbourg ruled unanimously that the case should be considered by the court. The decision is the first step in a campaign by former servicemen and their lawyers to have the British court martial system scrapped. Lawyers claim that the process is in breach of Article 6 of the European Convention on Human Rights as the court-martial system is not independent.

Robert Rice, Legal Correspondent

Burger staff win compensation

Burger King, the fast-food subsidiary of Grand Metropolitan, has paid £106,000 ($163,000) in compensation to 900 members of staff over a dispute involving staff who were told to leave their work but remain nearby when business was quiet. They were not paid for such waiting periods. The average back payment for the six months to September was £118 per person, the company disclosed. One worker in Scotland claimed that he had been paid £1 for a five-hour shift and an employee in Wales complained that she had received no money during one shift. Burger King said that the "misuse of scheduling" was not company policy and the company did not believe it was widespread. *PA News*

Police warn against illegal London taxi drivers

Police in London warned women against unregistered taxis after a woman was raped on Saturday by the driver of one of the capital's traditional taxis. Most of the taxis in the capital are regulated by the police, but some are sold on by cab companies to private buyers. Some of the estimated 2,000 privately-owned vehicles are thought to picking up paying passengers illegally. Detective Inspector Ray Needham said the cab in which the 23-year-old woman was attacked may have been stolen. She hailed the cab near Buckingham Palace, and was raped in the vehicle in Chelsea after being driven about 5km in the direction of her home. Insp Needham advised women who were uneasy about taxis to ask the driver for identification or note the licence number displayed inside the vehicle. *PA News*

مكرر من الأصل

BRITISH AEROSPACE

Having pulled back from the brink of collapse, BAe now has to face the challenge of emerging US aerospace giants. In the second part of his special report, **Bernard Gray** explains the options

Time to seek a grand alliance

Europe's defence and aerospace executives have been scared deeply over the past month by reports that Boeing and McDonnell Douglas of the US may be considering a merger, creating a corporate gorilla with sales of $35bn.

For perhaps the first time, they can visualise an American competitor threatening the very survival of their companies. The European industry clearly needs to consolidate, as US companies have been doing, but so far no one has been able to see a way forward.

Ironically, British Aerospace, which was the sick man of the European industry four years ago, is now better placed than its once-triumphal continental counterparts to meet the challenge. It has been through much of the internal restructuring that French and German companies are only now beginning to contemplate, and has restored its financial position.

That reform has bought some time. Now BAe faces an even harder task: negotiating its way through the thicket of competing national priorities, corporate aspirations and personal ambitions within Europe to secure its place in one of the three or four groups which will dominate the global industry in the next century.

The company's success – at least so far – in solving its problems has given it the luxury of a choice of strategies for the first time in many years.

Says Dick Evans, BAe's chief executive: "Aerospace is a very long-term business, and we have to plan now for the way that the industry will be in 20 or 30 years time. We will act both internally and externally to protect the long-term prospects for BAe."

Translated, this means that while BAe will press ahead with its in-house reforms, ultimately it will have to forge partnerships with other companies. Given the pace of consolidation in the US, it may need to act soon.

BAe now sees its central skill as being the management of very large and complex high technology programmes. In the past two years it has tried to expand its presence in the UK defence market beyond its traditional aircraft and missiles business to make use of those prime contracting skills.

Its bid for the £2.5bn ($3.95bn) anti-tank helicopter programme for the British army was based around the idea of BAe becoming a UK prime contractor for the Franco-German Tiger helicopter. Similarly, its attempt to buy VSEL, the Barrow-based submarine maker, was centred on acting as prime contractor for the £3bn programme to build up to five Trafalgar class hunter-killer submarines.

But BAe was beaten in both attempts – by Westland, the Yeovil helicopter company, in the army competition, and by the General Electric Company, Britain's other large defence contractor, in the fight to control VSEL. Those failures have stymied BAe's attempts to expand in its domestic market through tactical bolt-on acquisitions.

It therefore has to concentrate on larger, strategic alliances which, because of their size, would have to be agreed deals.

It has three main options: it could use its long-standing links to the US and become part of a rationalised Anglo-Saxon market; it could turn inward to the UK, which would in practice mean striking a much-anticipated merger with GEC's aerospace interests; or it could seek alliances in continental Europe.

Ties with the US have superficial attractions for BAe. It has had a deep relationship with McDonnell Douglas for 20 years: BAe and the St Louis-based company make BAe Harrier and Hawk aircraft for the US marines and navy.

A formal merger would give both companies better access to each other's markets, and their product ranges are complementary. McDonnell Douglas makes current generation fighters which will have a role well into the next century, but at present it has little stake in the next generation of aircraft. BAe makes Tornado strike aircraft and also plays a big part in the Eurofighter project, which has yet to enter production and has good long-term export prospects.

The two companies also work at adjacent sites in Saudi Arabia on huge defence contracts and in the civil field they have aircraft businesses which could be rationalised.

BAe already teams with the US on specific projects, such as the Joint Advanced Strike Technology programme, which will produce a replacement for the vertical take-off Harrier.

Yet any deal with an American company has serious drawbacks. US law means that British board members could not see details of secret US projects. Any overall control of a US project must rest solely with Americans. Besides, the sheer scale of the US market would inevitably force BAe to become the junior partner in any alliance.

In practice, any deal with the US would almost certainly mean that over time BAe became a sub-contractor to a larger American company, losing the skills of running whole programmes and developing the intellectual property which is one of its main sources of wealth creation. A full-scale merger therefore seems a very remote possibility.

Tying up with GEC in the UK is an idea which has been around for so long that it is almost ready to collect a pension. Suggestions that GEC might launch a hostile bid have all but vanished, thanks to the rise in BAe's share price, but speculation about an agreed deal persists.

There were extensive discussions between the two companies in 1992 and 1993, when BAe was in difficulties, but BAe eventually terminated them. The company's recovery gives it a much-strengthened bargaining position and any talks with GEC would be on a more equal footing.

A pooled BAe-GEC aerospace company would have greater size to compete in world markets or cut a subsequent, more strategic deal with US or European companies. It would also rationalise the supply chain for the British defence industry and help avoid some of the problems which have dogged the Eurofighter project, by combining the technical teams of the two companies.

However, while the defence industry is increasingly a competition between US and European teams, the creation of a single large UK defence company might worry the British Ministry of Defence.

And since there is little overlap between GEC's electronics, avionics and shipbuilding businesses and BAe's aircraft and missiles operations, there would be limited scope for rationalisation.

Perhaps most importantly, the two companies have widely differing cultures and management styles. The risk of clashes would be high. BAe, which was created in 1977 from the merger of several defence businesses, has taken a very long time to gel into a single company. Forming a genuine bond with GEC could be even more difficult. Besides, BAe has an eye to the Continent. "Part of the success that we have made for ourselves in the last few years is the creation of strategic options for the company, many of which lie in Europe," says Dick Evans.

Continental Europe is certainly the most fertile area for links, but it has also proved the most difficult arena in which to conclude deals. Cross-border mergers between aircraft makers – for example, between BAe and Daimler-Benz Aerospace (Dasa) of Germany – could save large sums by eliminating duplicated research effort and plant capacity.

Similarly, mergers between electronics companies – such as GEC and the French company Thomson-CSF – could create component and sub-systems suppliers with the scale to challenge US firms.

Yet the barriers are as great as the prizes. Up to now national ambitions and security concerns have prevented integration. To reap the full benefits of consolidation, companies would need to work within co-ordinated, and preferably integrated defence markets: something which shows little sign of happening.

In France, most of the aerospace industry is state-owned and heavily loss-making. In Germany, it is at least in private hands, concentrated in Dasa. Yet even its civil operations are losing money.

Links between BAe and the French aircraft maker Dassault have been mooted before, and last week's joint venture in research has renewed such comment. Eventually, an alliance might be possible, but the small scale of last week's deal shows just how distant such a relationship remains.

The two companies are working on very different programmes for the current generation of aircraft, so the benefits of any alliance would only flow in the very long term. In practice, the complex shareholdings in Dassault would also make a deal difficult to cut.

More credible perhaps is an alliance between BAe and Dasa, which would have big advantages. It would bring together the two largest partners in the £32bn Eurofighter project and strengthen the programme's central management, while merging two of the partners in Airbus. A unified company would retain within Europe the prime contracting skills and intellectual property that BAe would lose if it went to the US.

It is possible to conceive of a single BAe-Dasa company, perhaps with BAe running the military aircraft business and Dasa running the civil operations, structured along the lines of a Unilever or Shell.

BAe expertise could help Dasa solve its civil aircraft difficulties, which are similar to those the British company went through five years ago. As private sector companies, a deal would be comparatively easy to structure.

Such an entity could be the focus for further consolidation. The logical first French partner for BAe-Dasa would be Aerospatiale. The three companies are the largest shareholders in Airbus, the European commercial airliner consortium. Bringing together the British and German companies would be a powerful incentive to France to rationalise its industry to prevent it being relegated to the margins. Other French groups, such as Dassault, could eventually join such a grouping.

Yet BAe is well aware of how difficult such deals are to close. It has spent almost three years trying to agree a relatively simple joint venture in missiles with Matra, without managing to cement a deal.

In examining its options, it will have to weigh up the strategic benefits, but complexity, of a Continental rationalisation, against a simpler but more limited UK consolidation.

"BAe has long maintained that Europe must come together," says Dick Evans. "Recent developments in the US provide a challenge for Europe. BAe is determined to be at the centre of the changes in the European industry."

Action is unlikely to be long delayed, given the scare delivered by the Boeing-McDonnell talks and last year's merger of two other leading US companies, Lockheed and Martin Marietta. Having waited too long, the European industry may be about to move, and BAe looks likely to lead the charge.

How Europe's largest aerospace companies line up

	MILITARY AIRCRAFT	MISSILES	DEFENCE ELECTRONICS	COMMERCIAL AIRCRAFT	REGIONAL AIRCRAFT
	Dasa	Dasa	Dasa Siemens	Dasa	Dasa Fokker
	Dassault	Aerospatiale Matra Thomson-CSF	Aerospatiale Matra Thomson-CSF	Aerospatiale	Aerospatiale
	BAe	BAe GEC Hunting Shorts	GEC	BAe	BAe

Source: FT

How BAe answered the Starship Enterprise conundrum

At British Aerospace's Warton military aircraft site, engineers talk about the "Starship Enterprise problem". What they mean is that aerospace companies face a conundrum: as the technology of aircraft gets ever more sophisticated, how do designers stop the cost of making increasingly fabulous fighters rise to the point when air forces can only afford to buy one of them?

BAe claims that it is on the way to cracking this problem, which threatens to price advanced weaponry out of existence. It has developed a suite of linked modelling programmes which it believes will help it reduce development risks and solve problems early, cutting the cost of producing new aircraft.

While other companies have elements of BAe's system, the British company believes its overall structure is unique, and will give it a significant commercial edge. It is one of the cards BAe thinks it has to play in the poker game of rationalising the aerospace industry. As commercial pressures increase, those companies with the skills of managing large projects and reducing risk are at a high premium.

"Our prime contracting skills, whether in civil or military areas, are a source of great competitive advantage for the company," says Mike Turner, chairman of BAe's commercial aircraft division.

The problem of escalating aircraft costs was first identified some years ago by Norman Augustine, the president of Lockheed Martin, the US aerospace giant. He pointed out that the cost of each successive generation of fighter aircraft was increasing geometrically. As a result, although fighters were becoming more and more deadly, the US could afford fewer and fewer of them. Augustine's calculation was that by some time in the middle of the next century the US would only be able to buy one fearsomely sophisticated aircraft.

In some ways Augustine's prophecy has already come true. Each B2 "stealth" bomber, designed to roam across the Soviet Union undetected by radar in a nuclear war, costs almost $900m (£570m) to manufacture, and that is without taking into account its development funding. Overall, the US has spent around $40bn to produce 20 aircraft and the US Air Force says it cannot afford any more. It has, in effect, been forced out of the strategic bomber business by the cost of technology.

The difficulty arises because not only do technologies get more complex, and therefore expensive, they also get increasingly interdependent. Gone are the days when, if a pilot wanted a radio in a Lancaster bomber, he simply took a standard Pye model off the shelf and threw it aboard.

These days in a combat jet the radio can interfere with the system which controls the aircraft's flight, which can in turn have an impact on the electronic warfare equipment. And if any of these components are in the wrong place, they can be fried by the exhaust gases of one of the aircraft's own missiles as it launches.

To take another example, if designers try to reduce the radar signature of a jet to make it harder to detect, they may have to shape the aircraft in a way that forces them to move the engines, weapons, or even the pilot – any of which actions could have repercussions for other parts of the system. There are thousands of such potential interactions to take into account in building an aircraft, and the complexity has evolved beyond the point when any single individual can understand it.

In some cases it has spiralled beyond the capacity of even a team to control the process. Several US programmes – including the A-12 attack aircraft and the Tri-Service Stand-Off Attack Missile – have been cancelled outright as these technical difficulties made their costs soar.

US companies have highly sophisticated design tools to try to solve such problems. But the American drive, backed by the Pentagon, is still towards devising the most sophisticated technologies which can be mastered, rather than on controlling the cost of weapons.

Turner: contracting skills an advantage

The UK, which has rather less to spend on research, has already had to face up to the cost issue. But it is largely companies, rather than the Ministry of Defence, which have had to produce solutions.

Sir Peter Levene's reform of the way in which the MoD procures equipment has forced much greater risk on to defence contractors, and has forced BAe in particular, by virtue of the high cost and complexity of aircraft, to analyse carefully its design and manufacturing techniques.

One of the key skills which BAe has developed is an understanding of how to handle the interplay of these factors. When the four-nation Eurofighter was conceived, for example, BAe knew it would have to break away from the escalation in fighter aircraft costs if the UK was to afford the project. Now it is confident it will achieve that goal (see chart).

For the generation of aircraft beyond Eurofighter, Professor David Gardner, who is in charge of the BAe Eurofighter technical programme, is confident that the UK working alone could produce a Future Offensive Aircraft, to attack enemy ground targets, cheaper than the four-nation Eurofighter, even without its economies of scale.

Risk was transferred steadily to BAe throughout the Tornado aircraft programme in the 1980s, which started as a traditional MoD cost-plus exercise and ended with BAe manufacturing batches of aircraft for the MoD at fixed prices. The trend has continued with Eurofighter, and fixed prices have been applied at a much earlier stage.

While there have been sharp increases in the UK cost of developing Eurofighter, they principally relate to German withdrawal from some aspects of the programme. This has left all the development costs of some systems with the UK and led to delays. According to the MoD, the only significant cost overruns as a result of technical problems in the UK resulted from poor overall management co-ordination of the Eurofighter group, or in areas where new technologies were not well defined. Manufacture of the Eurofighter is likely to be largely at fixed prices.

The essence of BAe's approach to integrating complex systems is to identify and solve the technical challenges in the programme as early as possible, when they can be resolved at the lowest cost. With Eurofighter, for example, £180m was spent in the late-1980s on a technology demonstrator aircraft to prove some of the ideas about advanced flight controls. The Commons Public Accounts Committee estimates that has saved the overall Eurofighter programme £850m by clearing up problems before the design became fixed.

This approach also gives the company a better feel for the overall cost of a project and makes it better able to take the role of prime contractor, shouldering the risks of running the project at a known cost on behalf of the MoD. In other countries, governments still fund much research on a more or less open-ended basis. In the detailed work on Eurofighter, BAe is using a complex modelling system which brings together all of the potential interactions of the equipment, using standard, and relatively inexpensive, computer equipment.

The system models vibration, heat, electrical power use, physical space constraints, strength, the use of new materials, aerodynamics, stealth, the impact of the aircraft on the pilot, and a host of other factors to optimise performance. Changes to the design can be tried and solutions found more quickly and cheaply than building traditional prototypes.

The benefits of the system also go well beyond conventional computer aided design methods. All of the characteristics of the aircraft can be loaded into the system so that if, for example, the pilot executes a high-speed turn on full power causing high levels of heat and vibration, which would break a particular sub-system, the problem is flagged up. Engineers can also model outside effects on the Eurofighter's systems, such as the impact of lightning strikes or even the electro-magnetic pulse of a nuclear explosion.

BAe is using the model to design Eurofighter to be cheaper to manufacture and maintain. The production time for the Tornado had been reduced from 36 months to 30 months as a result of improvements in manufacturing technique. But by designing Eurofighter with many fewer parts the aircraft should be completed in 18 months once the production line is fully up and running.

Shorter manufacturing times mean lower labour costs and working capital, cutting the price of the aircraft. Designing the fighter to be easy to maintain will also reduce the in-service cost to air forces, making the Eurofighter more affordable.

Many of these individual techniques are being used to some extent by aerospace companies around the world. Boeing, for example, used the French-designed Catia computer model to produce the 777 airliner. Lockheed Martin and Boeing have had a system especially developed for the design of the F-22.

But BAe believes no other company has produced a set of tools which can be applied across such a wide range of products. It says that the power of its system lies in the connection and co-ordination between the tools. "If you think of an aircraft as a human being," says David Gardner, "other people are looking at how particular organs work, but I don't believe that anyone is looking at the complete body in quite the way we are."

BAe hoped to apply these processes to the naval business when it made last year's abortive bid for VSEL, the Barrow-based submarine maker. Ships and submarines are becoming ever more complex and expensive as more weapons and electronics are loaded on to them.

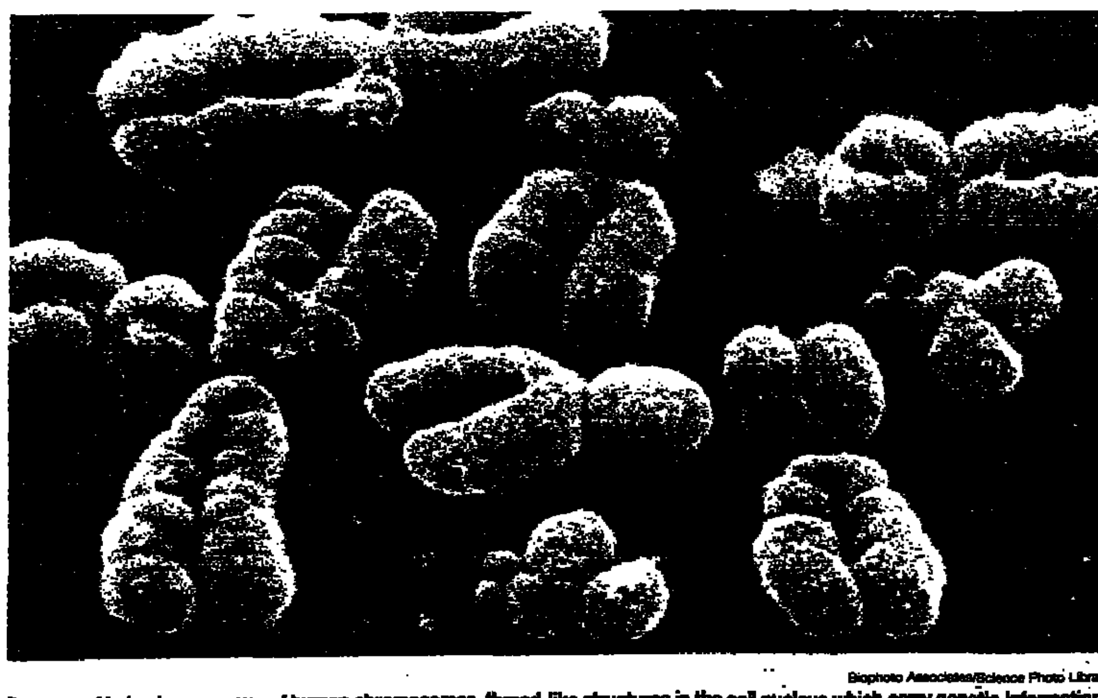
BAe aimed to do the same in helicopters if it had won a competition to supply the British army with attack helicopters in the summer: a contract which eventually went to McDonnell Douglas and Westland.

"These skills have very wide application, which is why we were so keen to get into submarines and helicopters," says Mike Rouse, who led the helicopter bid and now runs the military aircraft division. "On the naval side, for example, there is no reason why BAe couldn't take the lead in prime contracting the whole of a ship from construction through command and control systems to weaponry."

If BAe did decide to merge its defence business with GEC, the ability to control such large projects could prove very useful, particularly as GEC, which has much less experience in prime contracting, is now responsible for a large part of the UK naval business. Equally, such tools will be useful if BAe teams with aerospace companies on the Continent.

"The UK's approach to defence over the past decade has been really tough for companies to deal with," says Gardner. "But in the end it has made us stand on our own two feet. That aspect at least has been really valuable."

TECHNOLOGY



Biophoto Associates/Science Photo Library
Patterns of behaviour: a group of human chromosomes, thread-like structures in the cell nucleus which carry genetic information

Genes unlocked

Clive Cookson on the vast potential for understanding human nature and disease by deciphering genetic codes

Chemistry was transformed over a 30-year period in the mid-19th century from alchemy to modern science through the consolidation of the chemical elements in the periodic table. A very similar revolution started in human biology around 1975 and will be finished by 2005 – deciphering the entire genetic make-up of mankind.

The discovery of the 92 chemical elements laid the foundation both for theoretical developments, such as quantum mechanics, and for new products from the chemical industry – from synthetic drugs to plastics. In the same way, the identification of the estimated 100,000 human genes – the units of heredity – and the relationships between them will lead to vast and incalculable advances both in understanding the basic nature of humanity and in the way we diagnose and treat disease.

Unusually for a "big science" project, the Human Genome Project, the loosely co-ordinated international effort to decipher all 3bn chemical "letters" of the human genetic blueprint (known collectively as the genome), is running ahead of the timetable set when it started in the mid-1980s.

The fast pace is partly the result of the private sector's involvement. The project was launched on the assumption that its estimated £2bn cost would be met largely by government agencies such as the US National Institutes of Health (NIH) and the UK Medical Research Council, but in the event biotechnology and pharmaceutical companies have poured research funds into genomics.

Another factor is the way new technology has enabled researchers to short cut the methodical process of "mapping" genes along the 46 chromosomes that make up the human genome. Particularly important is the use of ESTs (expressed sequence tags) – short stretches of DNA, the genetic chemical, taken from genes which are actively producing protein in particular body tissues.

Craig Venter pioneered EST technology, first at NIH and then at The Institute for Genomic Research (TIGR) in Maryland – a non-profit institution linked to a biotech company called Human Genome Sciences, which is itself allied with SmithKline Beecham, the Anglo-American pharmaceutical giant. Although ESTs are only fragments of genes, many are distinctive enough to identify the whole gene and give a clue about its function.

TIGR has made about 90 per cent of its sequence data freely available (in a special genome directory published recently by the science journal Nature and electronically on the World Wide Web). But the restrictions placed on the remainder have provoked Merck, one of SmithKline Beecham's competitors, to fund a parallel EST sequencing project at Washington University in St Louis, whose output is entirely in the public domain.

More than half of all human genes – and perhaps as many as three-quarters – are now represented by ESTs. "Merck made its investment to stymie Human Genome Sciences and SmithKline Beecham, but scientists like me have benefited enormously from the competition between the companies," says John Hardy, an Alzheimer's gene researcher at the University of South Florida.

For example, when an Alzheimer's susceptibility gene called presenilin-1 was identified earlier this year on chromosome 14, Hardy and his colleagues were able to find a second Alzheimer's gene on chromosome 1 within a week, by searching the EST database for similar DNA sequences.

Meanwhile, new robotic techniques are accelerating the more conventional gene mapping activities of laboratories such as the Whitehead Institute/MIT Centre for Genome Research in Massachusetts and the Centre d'Etude du Polymorphisme Humaine in Paris.

Eric Lander, director of the Whitehead/MIT Centre, says the first two stages of the project – production of "genetic" and "physical" maps of the genome – are now more or less complete. These involved placing an increasingly dense series of landmarks – identified stretches of DNA – along all the chromosomes. Researchers can use them to narrow the search for a particular gene to a small region of one chromosome.

The project is now moving on to its final "sequencing" stage. This will build on genetic and physical maps and EST libraries to spell out all 3bn letters of the human genetic code. "Today less than 1 per cent of the human genome has been systematically sequenced," Lander says. "Ninety-eight per cent will have been read out within five to 10 years."

Already researchers are looking ahead to the "postgenome era" when structural data about all genes will be available on sets of CD-Roms (or whatever replaces them in the next century). The focus will then switch to gene dynamics – discovering how 100,000 genes interact and communicate to regulate the whole human being, in sickness and in health, as it develops from embryo to old age.

As genomic science progresses, the whole pharmaceutical industry is devouring its findings to produce tests for genetic diseases and drugs to treat them.

Diagnosis and drugs go together hand in glove. In the future, even more than today, the key to successful treatment of a complex disease such as cancer will be to define the specific genetic basis of the disease in each patient and then administer the most appropriate drugs for that particular case.

When it comes to applying genetic knowledge to treatment, most people think first of gene therapy – giving patients new copies of defective genes. And in the long run they may be right.

But early clinical trials of gene therapy are giving disappointing results. In the short to medium term, the main application of genomics in pharmaceutical research will be to give better targets for designing and screening more conventional "small molecule" drug candidates.

At the same time, genomics will provoke enormous social and ethical concerns, ranging from the protection of genetic privacy in individuals to the protection of genetic diversity in mankind against excessive pressure to eliminate "bad" and promote "good" genes.

During 1996 the FT Technology Page will look at the scientific and social issues in human genetics by examining one area each month. The series will start in January with an article on Alzheimer's genes.

Fifty years after Hiroshima, scientists must regain the confidence of the public, argues Sir Michael Attiyah

Science must recover the moral high ground

This year saw the 50th anniversary of the dropping of the atomic bomb on Japan. No other single event has so profoundly affected the relationship between science and society. It has cast a very long shadow over the past 50 years.

The most immediate effect was to highlight the moral dilemma of scientists in relation to the military application of their discoveries. Many of those most directly involved in the development of the bomb went on to become strong advocates of restraint and responsibility in the nuclear arms race that ensued.

This included those in the Pugwash movement of scientists against nuclear weapons, notably Joseph Rotblat, the recipient of this year's Nobel Peace Prize.

In only a few years, the Los Alamos project transformed an abstruse piece of theoretical physics into the most devastating weapon the world had seen.

No longer would scientists, conducting pure research for its own sake, be ignored on the grounds that their work was not relevant to the real world.

If the technical triumph of the atomic bomb pushed scientists into the military-industrial complex, it also initiated a hostile reaction.

Atomic bombs were a menace and the scientists were responsible. This anti-science feeling has grown alarmingly, with environmental worries taking over from nuclear weapons as the driving force.

The atomic bomb ushered in a new era for the scientific community. Close collaboration with government, both for military and for industrial purposes, has brought substantial material benefits. But public suspicion is one of the consequences.

Science now occupies too important a position in modern life to turn the clock back. The question we scientists face now is how to conduct our relations with government and industry so as to regain the confidence of the public.

Here we need some humility. It is no use complaining that the public is simply ill-informed. We have to examine our own position and see whether any of the criticisms levelled against us are valid.

So, have we sold out to the military-industrial complex? Do we pay sufficient attention to the way science is applied? Have we subverted the international idealism of science for narrow chauvinist aims?

All these are heavily loaded questions which many of us will feel impugn our integrity. But the only way to break down this suspicion is for us to speak out, to criticise the establishment when

History will show that the insistence on a UK nuclear capability was misguided, a waste of resources and a *significant factor in* its relative economic decline

necessary and to demonstrate that independence of thought really is the hallmark of a scientist.

Let me return to Hiroshima and the moral dilemma posed by the atomic bomb. Was it justified, was it necessary? Even with hindsight, there are no easy answers as the extensive correspondence in the newspapers this year so clearly demonstrated. What was important about that public debate, however, was that scientists were not all on one side – some were to be found on the side of the bishops, if not on the side of the angels.

Although nuclear weapons have not been used in battle since the end of the second world war, they have been produced and stockpiled in vast quantities.

Even before the collapse of communism in the Soviet Union, the arms race had been reversed and reductions in nuclear stockpiles were agreed between the US and the USSR.

The new political climate means the aim of totally eliminating nuclear weapons no longer seems to be an impossible dream.

It would be good to report that the UK government is in the forefront of those working for the reduction of nuclear weapons. Regrettably this is not the case. There seems to be no long-term vision, only a complacent reliance on the status quo.

We might well ask questions about British policy over the past 50 years. I believe history will show that the insistence on a UK nuclear capability was misguided, a waste of resources and a significant factor in its relative economic decline.

Comparisons with Germany show that both countries have devoted about the same fraction of their resources to research and development. However, the division between civil and military R&D in the two countries is very different. Given the importance of science and technology for modern industry, it would have required gross incompetence on the part of our German competitors if they had not derived a major economic benefit from this additional investment in civilian R&D. Similar remarks apply to Japan.

It may be argued that this economic sacrifice on the part of the UK was made altruistically in the interest of world peace. Perhaps, but I have yet to see this argument supported outside Britain and France.

The alternative justification, that nuclear weapons have given us extra political clout, is equally hard to substantiate. Unless you actually use nuclear weapons as a form of blackmail, they are about as useful politically as an honorary degree is academically.

It is economic strength that underpins political influence and this is precisely what will have been sacrificed.

Sir Michael Attiyah is Master of Trinity College, Cambridge. This article is based on his final address as President of the Royal Society on 30 November.

BUSINESS AND THE LAW

Ship application ruled premature

EUROPEAN COURT

The European Court of First Instance has ruled that an application for an order to prevent the European Commission making an anticipated decision was premature and inadmissible.

The application was made by a group of 15 shipping lines, which were parties to the Trans-Atlantic Agreement and a later, modified version, the Trans-Atlantic Conference Agreement.

Both agreements included rules laying down maritime transport rates and through-intermodal transport rates for international liner services across the Atlantic.

In October 1994 the Commission adopted a decision in which it ruled that the provisions of the Trans-Atlantic Agreement relating to price-fixing and capacity were anti-competitive and unlawful.

The decision required the parties to the agreement to end all infringements and not to enter into any agreement in future which might have the same or a similar object or effect.

The shipping companies, supported by the Japanese Shipowners' Association and the European Community Shipowners' Association, brought an application before the Luxembourg court for the annulment of that decision, and by a separate application made on the same date sought suspension of its operation.

The Court ordered that the operation of the contested decision should be suspended pending final judgment, insofar as it prohibited the shipping companies from jointly exercising their authority to set rates for the EU inland sections of through-intermodal transport services. That order was confirmed on appeal.

During this period, the modified Trans-Atlantic Conference Agreement came into effect, and in June 1995 the Commission sent the shipping lines a statement of objections relating to the joint fixing of rates in respect of the EU inland sections of through-intermodal transport services.

The Commission said it had formed the preliminary view that this was an appropriate case in which to withdraw the usual immunity from fines resulting from the notification of the modified conference agreement. It was this preliminary view that the shipping lines challenged.

The Commission, supported by the UK and French freight transport associations and the European Council of Transport Users, argued that the application was inadmissible, as it did not relate to the main application for the annulment of the contested decision and was premature.

The Court agreed. It said that an application to suspend the operation of a measure adopted by a Community institution would only be admissible if the applicant was challenging that measure in proceedings before the Court. An application for the adoption of any other interim measure would only be admissible if it was made by a party to a case before the CFI and related to that case.

In the present case, the shipping companies were seeking an interim order forestalling a decision withdrawing immunity which had not been adopted and which produced no legal effects.

In principle, therefore, the shipping companies were not entitled to exercise their right to seek suspension of the operation of that decision, and only in exceptional circumstances could they have such a right.

There were no exceptional circumstances. The legitimate interests of the shipping companies were protected by their right to bring an action against the Commission decision once it had been made and to apply concurrently for interim relief in the form of suspension of the operation of that decision.

The Court would only entertain preventive applications for interim measures where the unidentifiable or future decisions in issue would immediately create rights for third parties and produce irreversible effects. A decision withdrawing immunity from fines could never produce such effects.

The Court said if such a decision were adopted by the Commission then the shipping lines would be entitled immediately to seek its annulment and to ask the Court to suspend its operation.

T-395/94 R II: Atlantic Container Line and others v Commission, CFI, order of the president, November 22 1995.

BRICK COURT CHAMBERS, BRUSSELS

A toast from Wall Street

Andrew Clark examines London's pre-eminence in bank litigation

As the Wall Street financial community begins its Christmas festivities, it might be drinking the health of Mr Justice Mance, an English High Court judge.

Even more extraordinary is that it will be toasting the judge for a decision made earlier this month which consolidates London's pre-eminence as the first choice of multinational banks for litigating their disputes.

The decision requires PT Dharmala Sakti Sejahtera, an Indonesian investment holding company, to pay Bankers Trust, the US bank, $69.18m plus costs for two swaps on which Dharmala incurred substantial losses in early 1994 following unexpected rises in US interest rates.

Dharmala had refused payment alleging Bankers Trust had misrepresented the risks and failed to explain the deals' consequences.

Unlike the landmark English swaps cases in the early 1990s which centred on the power of local authorities to enter into interest rate swaps, the focus of the Bankers Trust case was whether a bank has a duty to warn a client of the risks of entering into such transactions.

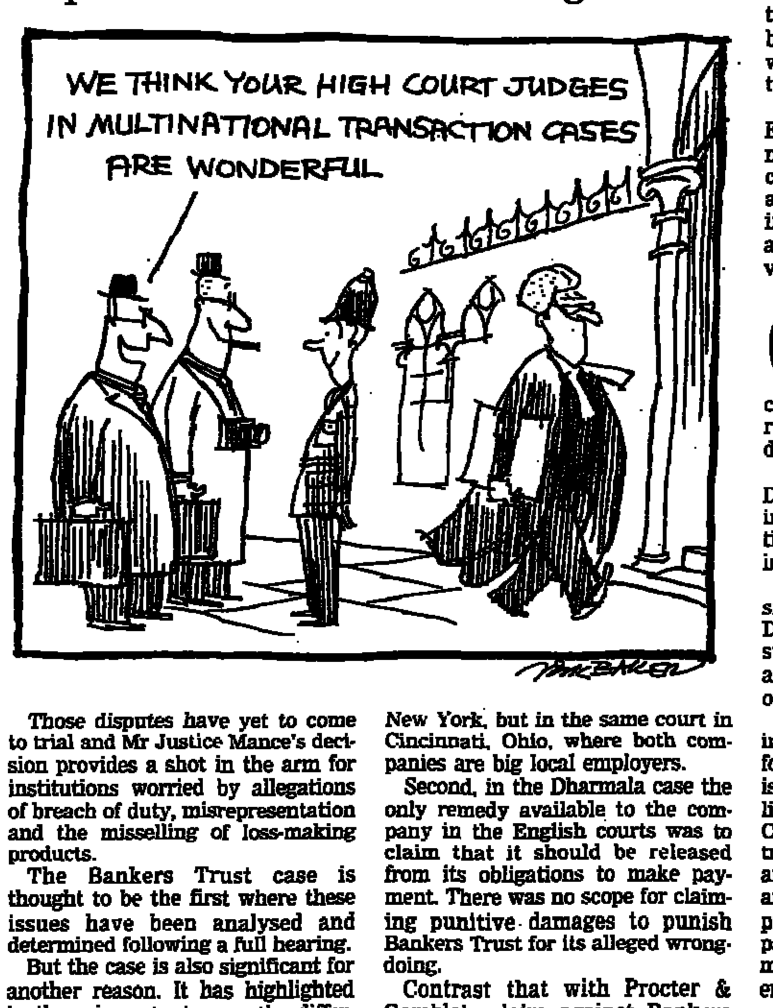
The judge rejected Dharmala's allegations and decided that Bankers Trust did not owe a duty to explain to Dharmala the risks and financial impact of the deals. He was in no doubt that Dharmala was able to understand the transactions, and he drew a distinction between the enthusiasm, skill and persuasiveness of a salesman in marketing a transaction and any dishonesty or impropriety.

In another recent well-publicised case the English High Court decided that a Lloyds bank manager had given advice to a couple who bought an investment property with the aid of a Lloyds bank loan. The property fell in value during the recession and the court found that the bank's advice was negligent.

In contrast, Mr Justice Mance in the Bankers Trust case held that Bankers Trust had no general duty to advise Dharmala. Whether the swaps were suitable for Dharmala was a matter for Dharmala itself. Dharmala must have appreciated that the transactions were speculative and it was for Dharmala to make its own assessment of the risks.

"The court should not be too ready to read duties of an advisory nature into this kind of relationship," he warned.

The Wall Street celebrations for Bankers Trust's victory are primarily because the allegations made by Dharmala in London are the same sort of allegations that a number of Wall Street firms are facing in the US from various companies, most notably Procter & Gamble, the US consumer goods company.



Those disputes have yet to come to trial and Mr Justice Mance's decision provides a shot in the arm for institutions worried by allegations of breach of duty, misrepresentation and the misselling of loss-making products.

The Bankers Trust case is thought to be the first where these issues have been analysed and determined following a full hearing.

But the case is also significant for another reason. It has highlighted in three important ways the different approach of the New York and English legal systems to these matters.

First, the claims in the US will not be heard by an experienced commercial lawyer who has gone on to sit as a High Court judge. Rather, they are likely to be heard by 12 lay jurors, persons whose job, Robert Frost, the US poet and humorist, once wryly observed, is to decide which party has the better lawyer.

Furthermore, the jurors are likely to be selected from the community where the plaintiff company is based. Gibson Greetings, a US greeting cards manufacturer, and Procter & Gamble both brought proceedings against Bankers Trust, not in New York, but in the same court in Cincinnati, Ohio, where both companies are big local employers.

Second, in the Dharmala case the only remedy available to the company in the English courts was to claim that it should be released from its obligations to make payment. There was no scope for claiming punitive damages to punish Bankers Trust for its alleged wrongdoing.

Contrast that with Procter & Gamble's claim against Bankers Trust in Cincinnati where it claims not only compensatory damages of $195m but also punitive damages and, in a recent addition to the claim, triple damages under the US civil racketeering (Rico) legislation.

Third, attorneys acting for corporate plaintiffs in the US are likely to be acting on a no-win, no-fee, contingency basis, insulating the plaintiff from the risk of paying heavy costs if it loses. In England, lawyers are only allowed to enter into contingent fee arrangements with clients in personal injury and insolvency cases. Consequently, a losing party not only has to pay its own lawyer's fees, unlike in the US, it must pay the winner's costs as well.

This is enough to make even the most creative litigant think twice.

Factors such as these have caused the Wall Street firms to rethink the clauses dealing with dispute resolution in their agreements. Historically, banks have been anxious to maximise their ability to bring proceedings wherever the other party has assets.

Choice of jurisdiction clauses have therefore been widely drafted. Now, particularly in the international capital markets area, banks can find themselves on the wrong end of a lawsuit in a jurisdiction decidedly not of their choosing.

After Bankers Trust issued its English writ against Dharmala in mid-1994, Dharmala initiated proceedings in Indonesia and obtained a judgment against Bankers Trust in what Mr Justice Mance described as "circumstances which are controversial".

Other banks have faced similar problems in jurisdictions far from their home turf and where courts have shown themselves less robust in holding parties to the deal.

The High Court's judgment in the Dharmala case will only have increased the interest of US institutions in determining their disputes in an English forum.

Bankers Trust and Dharmala had signed an International Swaps and Derivatives Association (ISDA) standard form contract, which allows the parties to elect English or New York courts and law.

There is evidence to suggest that increasingly banks are holding out for English law and courts and this is beginning to have an effect. Earlier this year, the New York Federal Court also enforced the ISDA contract in accordance with its terms and held that English jurisdiction and English choice of law clauses precluded another Indonesian company from bringing Rico and commodities law claims against Bankers Trust in New York.

It is also significant that an English jurisdiction clause was one reason why Bankers Trust was able to sue Dharmala in London.

But if the Bankers Trust judgment accelerates this shift to London, where does that leave New York? Perhaps the real reason why Wall Street firms will be toasting Mr Justice Mance this Christmas is because US courts and juries will now be under considerable pressure to follow his lead and not risk making decisions that might eclipse New York as a leading international capital market.

The author is a banking and finance litigation partner with Allen & Overy, the City-based international law firm.

Remove the nose ring but keep the tattoo

After years of steadily declining dress standards in City of London law firms, there are encouraging signs this Christmas that some firms are attempting to redress the balance.

D.J. Freeman is leading the way. The firm is about to adopt a tough new dress code, which will ban male lawyers from wearing nose rings at work. The code also states that their suits should be grey or navy blue.

However, an earlier version of the code, which included a provision that lawyers could wear bow ties only when being interviewed by journalists, has been dropped following an objection from a partner specialising in insurance law.

Dress standards in general seem to be on the slide. Legal Business magazine was so upset by those on display at a recent meeting at S.J. Berwin that it was moved to write: "The group of [solicitors] facing me on that occasion was dressed in a bizarre assortment of clothes. Whilst virtually all were expensively dressed, [their suits] represented the full range of colour combinations available, from dark blue to plain grey, and even a brown ... Plus, of course, the choice of shirt and ties was entirely inconsistent."

Sex discrimination laws have also posed problems for some firms. Because many shipping lawyers are ex-Merchant Navy master mariners, firms such as Clyde & Co have always accepted that male lawyers might be tattooed. When the question arose of female staff having tattoos, the firm was surprised to discover that as many women as men already had them.

Mr Michael Payton, senior partner, is convinced there is no statistical error. "The management committee's researches were thorough and wide-ranging," he claims.

In spite of the example being set by D.J. Freeman, international trends suggest that standards in the City can only get worse. Law firms on Wall Street have adopted "casual Fridays", allowing staff to wear sports jackets and slacks. And in New Zealand, judges recently had to rule that barristers must not appear in court wearing shorts.

Nick Gillies

Impressive on the figurative side: 'An Ending' 1993-1995 by Laetitia Yhap

London Group changes tactics

William Packer detects political correctness in the biennial exhibition at the Barbican

Over the past two centuries the British have consistently produced artists of quality and talent entirely at odds with the philistine indifference we profess towards the visual arts. The problem for the artist has always been that of getting his work on to a public wall: one answer is the exhibiting society with its regular show – of which the *Royal Academy* is but the earliest and most obvious.

The history of British art is littered with these societies, set up in opposition to the *Academy or to each other*. Some survived, many soon disappeared, but their collective importance cannot be overstated.

The London Group was founded in 1913 as a refuge for an avant-garde frustrated by the Academy's indifference, and its roll-call is a potted history of British modernism from the Vorticists to John Bellany. Its open exhibition was one of the major events of the London calendar, with the selection for its exhibition highly *competitive and election to* membership a signal professional distinction. To a degree, it *still* is; but with the proliferation of prize exhibitions the support, particularly of younger artists, fell away. But the group has held on through the difficult times, and in its recent manifestations has seemed very much revived.

Its particular strength, *in contrast* to the other surviving societies, has always been its willingness to embrace the adventurous and the experimental, without ever becoming narrow and doctrinaire. Here was where one would find the abstraction of a Heron or an Irvin, not at the Royal Academy or the New English Art Club, *and beside it the radical* expressionist figuration of such as Auerbach and Kossoff.

But if such critical adventure and generosity is its nature, why then should the London Group now choose to labour the point in striving conspicuously to represent "the cutting edge" of current activity? For the present exhibition contains a great deal of strong and interesting work, but is also heavily weighted towards the work of younger artists, and what is supposedly radical and experimental. The two do not exactly coincide.

The exhibition leaflet speaks of "a brave move... to challenge this damaging polarisation and seek.. to incorporate what is most interesting from younger artists working in both traditional and alternative methods and media." The group, it goes on, "has taken on board the fact that less than 20 per cent of its members are women and that ethnic minorities are significantly absent. It is... these *very groups which have gravitated* towards alternative media as a means of expression, feeling that traditional media are altogether too colonised by a 'white, male art history.'"

Oh dear. What have we here? Special pleading? Positive discrimination? Or fashionable balderdash? Whichever, it is at the very least a small *betrayal of the London Group's* historic commitment to the quality of the work seen for itself, and of its critical independence in its accep*tance and presentation. Political* correctness, after all, is only another academicism. I make the point only to sound a warning, for it would be the greatest shame were the London Group to squander its present resurgent credit. There is much in its current show of real merit and, *pace* the Turner Prize and all its works, it could hardly make better demonstration of painting's eternal vigour.

Of the abstraction or near-abstraction, John Holden's small hard-edge *paintings, David Whittaker's* layered grids, Georgina Hunt's palely blushing minimalism and Janet Patterson's sketchy leaves against a yellow ground, are all impressive. I also liked Arthur Wilton's wave-like dazzle relief and a deceptively minimal painted cross by Colette Morey de Morand. There were other good things from *Jules de Goed, Harvey Daniels* and Ken Oliver.

On the figurative side, I was particularly impressed by Tricia Gillman's *rich and fantastical abstracted* garden. Others who stood out were Gus Cummins, Alex Ramsay, Sue Spark, Laetitia Yhap, Tony Eyton and, in particular, Mike Thorpe with his studio interior in loosely-stated fish-eye perspective. But this year, on balance, the abstract painters have it.

The London Group Biennial Open Exhibition 1995: Concourse Gallery, Barbican, London EC2, until January 7: sponsored by Unilever.

Concerts/**Richard Fairman**

Weir and wonderful

New music has become one of the unlikely fashions of the 1990s. Every orchestra has to have its associate composer and every record company its new music label, usually bearing a trendy name and artwork – a sign of how far relatively popular figures like Tavener, Górecki and Macmillan have freshened up the composer's image in the eyes of the public.

Judith Weir has not sought to win public attention in that way, but her music has attracted discerning followers all the same, including abroad in the US and Europe. Their ears have been alerted to a mind that is delightfully quick-witted and intelligent, able to *pinpoint what it wants* to say in seconds with ideas of uncommon precision. The music is economical, ideal for a decade when inflation of any kind has lost its appeal.

Her String Quartet has all these features – a lithe, buoyant, quick-moving piece. The Yggdrasil Quartet of Aberdeen gave the first London performance of the work at the Wigmore Hall recently and played it with bright-eyed zest, which seems exactly what it needs. The score introduces its first idea, explores it, exhausts it within a minute or two, and then moves on to the next. There is little attempt at development, which may be an occupational weakness.

That piece dates from 1990 and since then Weir has found herself getting an increasing number of commissions, often for larger works. She is cur*rently Fairbairn Composer in* Association with the City of Birmingham Symphony Orchestra, a position lasting until 1997, and the orchestra has just given the premiere of her latest full-orchestra score, *Forest*. Like some of her other works, it looks as if it turned out shorter than expected. Vaughan Williams's *Fantasia on a theme by Thomas Tallis* turned up as an unexpected bonus on the programme to fill in the missing quarter-of-an-hour.

Forest is a 15-minute tone poem. A quartet of solo violas with cello introduces a meandering motif, which is gradually taken up by the rest of the orchestra. With her usual economy Weir makes the most of each rhythm and pattern of notes, though here there is much more development in the manner of Sibelius, a kind of continual renewal. What the work lacks is impetus, the feeling that it knows its destination. *Perhaps this untypically* dour music really is only the atmospheric prelude to something longer, as Weir herself hints.

At Thursday's concert at the Barbican, it was the prelude to a deeply-felt performance of Mahler's *Das Lied von der Erde*. The playing of the CBSO lacks the exquisite Chinese perfection that these songs seem to demand, but Simon Rattle is rarely concerned with surface elegance. The tenor songs, with John Mitchinson a last-minute replacement, were hearty, not delicate at all. In the songs for low voice Thomas Hampson could not resist the strength of feeling pouring out of the orchestra and sounded much more engaged than on the last time here. Even so, the climax was the purely *orchestral* interlude in the final "Der Abschied", where Rattle and his players came as close to the dark heart of the music as one would dare to approach.

Judith Weir's *Forest* was a Feeney Trust commission.

Recital/**Adrian Jack**

Barry Douglas

After finishing his Wigmore Hall recital last Wednesday with Liszt's Sonata in B minor, Barry Douglas turned to the audience and said he probably should not play anything more – it was sacrilege after the Sonata – but he *wanted* to play Tchaikovsky's *Autumn Song* and so he did. Its simple melancholy was a perfect encore, a breath of fresh air, for much of the programme was sombre.

It began with Debussy's *Pour le piano*, whose Prelude Douglas played at high volume and very stormily. *He evoked the* archaic solemnity of the central Sarabande sensitively, and the final Toccata was ecstatic, sunny and glittering – really quite exciting.

That was followed by one of Liszt's gloomiest pieces in homage to Wagner, the funereal *R.W. Venezia*, which with its limbo-like ending formed an effective prelude to John McCabe's *Tenebrae*. This is a *substantial piece of nearly 20* minutes, also written in memory of friends, and dedicated to Douglas two years ago. He played it from memory. The music is nothing if not pianistically articulate, McCabe being a pianist himself, and it certainly gives the impression of being toughly sustained, working up to a violent climax after which comes a measure of reconciliation. The harmony is dissonant and the rhythms frequently percussive and insistent, but there is something rather dry and detached, even impersonal, about it, so it seems admirable without being moving. Douglas's performance was tremendously committed.

After that, a bit of razzmatazz of a more tuneful kind, in Liszt's concert paraphrase of Verdi's *Rigoletto* did not come amiss. Douglas always looks as *if he is containing tight the* physical force about to burst from inside him, and this was a rather explosive performance. But in Liszt's Sonata his energy did not shake the deeper formal foundations. It was a fully powered performance with plenty of strength to spare, judiciously paced. What it lacked was the ultimate degree of contrast between the dramatic and lyri*cal elements.*

Douglas seemed uninspired by the visionary incandescence which lies beyond the dark, demonic struggle of the rest. The picture we got was of Herculean labour without much reward.

Excellent: Marcus D'Amico as Cain — Alastair Muir

Theatre/**David Murray**

'Cain' according to Byron

Byron wrote *Cain* – a "mystery" play in the old sense, though he insisted that it was "not composed with the most *remote view* to the stage" – in 1821, midway through *Don Juan*. Upon publication, it caused a fearful scandal among the literary-theological classes; but now it goes mostly unread and unperformed. John Barton has adapted and staged it for the Royal Shakespeare Company in the three-quarters-round, at their subterranean Pit beneath the Barbican, and he has made a beautiful job of it.

During his late Italian years Byron wrote four "tragedies", of which *Cain* was the last. The first three were grandly melodramatic, on Italian themes; they have not survived in the straight theatre, but young Verdi turned *The Two Foscari* into an opera, and young Donizetti – at second or third hand – *Marino Faliero* too. *Cain* is quite different: a visionary, rhetorical fantasy on theological basics, a defence by the *author of Don Juan of* his own quizzically humanist stance, with pre-echoes of Nietzsche and a minimum of stage action.

Eventually, of course, Cain does kill his brother Abel; but that comes near the end of an uninterrupted hour-and-three-quarters of *combative* Byronic verse. Barton chooses to frame it between panels where an Angel (Griffith Jones, disarmingly sage) recites from *Genesis* to an audience of Adam and Eve, the sons and their wives.

We find Cain living with the rest of the family outside the walls of Eden, where they can still catch reassuring glimpses of seraphim and cherubim and celestial lights. Upon meeting Lucifer (John Carlisle, dryly urbane as only someone in such elegant 18th-century dress can be), Cain raises some deep questions at poetical length and breadth. Why, exactly, was it culpable of his parents to nibble an apple and acquire "the knowledge of good and evil"? Where should individual freedom figure in a divinely predestined scheme of things? Does fossil evidence indicate that better worlds may have preceded our human one?

If Byron were arguing philosophical theses, this would be dry *stuff. But he is not; rather, he is* polemicising for a certain "modern" stance, partly Enlightenment and partly his own wilful individualism – and he embodies it much more than he argues it in the words of his Cain and Lucifer, mined with subversive eloquence. The long course of *their dialogue* (during which Cain is escorted to other worlds: Goethe admired that) strikes fine Byronic sparks – sharp epigrams, acid couplets – from ideas half-formed but passionately felt.

The reverse of Shaw's procedure in *his* theatrical debates; but more dramatic, just on that account. Barton and his excellent RSC cast make it quite gripping to hear and watch. As Cain, Marcus D'Amico (late of *Angels in America* and Maupin's *Tales of the City* on C4) *is eager, intelligently* transparent and candid, and like all his colleagues he keeps a sensitive grip on the prosody.

I wished we might hear some of Byron's best passages ringingly declaimed, which surely he expected, whether onstage or off in his imagination. Barton has perhaps measured the risks of insistent rhetoric against the safety of modest, conversational delivery and opted for the latter – probably the best course in an inti*mate arena: we never feel bectored.* One can still come away feeling rewarded, and even stirred, by this rare production of a treasurable poetic freak.

Sponsored by Allied Domecq; in repertory at the Barbican until March 7.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nederlands Philharmonisch Orkest: with conductor Vassili Sinaiski and pianist Jean-Yves Thibaudet perform works by Duparc, Franck and Ravel; 8.15pm; Dec 20, 22, 23

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Berliner Sinfonie-Orchester: with conductor Jac van Steen and violinist Vadim Repin perform works by Rimsky-Korsakov, Prokofiev and Tchaikovsky; 8pm; Dec 22
OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Gwendolyn Bradley, Vladimir Chernov and Julia Varady; 7.30pm; Dec 21

CAMBRIDGE (US)

EXHIBITION
Arthur M. Sackler Museum
Tel: 1-617-495-9400
● Hare's Fur, Tortoiseshell, and Partridge Feathers: this exhibition focuses on brown-glazed and black-glazed ceramics produced in *China during the Sung*, Chin and Yüan periods, between 400 and 1400. The exhibition highlights in particular the Chinese bowls that were considered especially suitable for drinking the grass-green tea known in the Western world by the Japanese *name* tenmoku; from Dec 23 to Mar 10

COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Die Schöpfung: by Haydn. Conducted by Christoph Spering, performed by Das Neue Orchester and the Mülheimer Kantorei Köln. Soloists include soprano Barbara Schlick, tenor Christian Elsnerand bass Peter Lika; 8pm; Dec 23
● Kölner Kurrende: with conductor Elke Mascha Blankenburg, the Kölner Sinfonieorchester, soprano Regine Dohmen, alto Ulla Tocha and bass Thomas de Vries perform works by Dvorák and Ryba; 8pm; Dec 21
OPERA & OPERETTA
Opernhaus Tel: 49-221-2218240
● Eugene Onegin: by Tchaikovsky. Conducted by David Levi, performed by the Oper Köln. Soloists include Régina Mauel, Dalia Schaechter and Gabriel Sadé; 7.30pm; Dec 21

FRANKFURT

OPERA & OPERETTA
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● La Traviata: by Verdi. Conducted by Sylvain Cambreling, *performed by the Oper Frankfurt.* Soloists include Ana Felicia Filip, Ilse Gramatzki, Luca Lombardo and William Stone; 7.30pm; Dec 23, 31
THEATRE
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● Der Besuch der alten Dame: by Dürrenmatt. Directed by Thomas Schulte-Michels, starring Eva Gosciejewicz; 7.30pm; Dec 20, 21

HELSINKI

CONCERT
Finlandia-talo - Finlandia Hall
Tel: 358-0-40241
● Radio Symphony Orchestra: conducted by Jukka-Pekka Saraste, perform works by Mahler; 7.30pm; Dec 20

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Neues Bachisches Collegium Musicum: conducted by Burkhard *Glaetzner, with the Gewand* hauschor, soprano J. Claus, alto R. Popken, tenor N. Giesecke and bass H. Chr. Polster perform J.S. Bach's *"Brandenburg Concerto No.4"* and Zelenka's "Missa votiva in E minor". The concert is on the occasion of the 250th anniversary of the death of Jan Dismas Zelenka; 8pm; Dec 20

LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor *Michel Corboz*, soprano Efrat Ben Nun, contralto Ursula Kunz, baritone Peter Harvey, trumpeter Pascal Geay and organist Yves Rechsteiner perform J.S. Bach's "Brandenburg Concerto No.2"; 6.30pm; Dec 20, 21 (9.30pm)

LONDON

CONCERT
Queen Elizabeth Hall
Tel: 44-171-9604242
● City of London Choir: with conductor Hilary Davan Wetton and organist Jane Watts perform a collection of Christmas music and popular carols; 7.45pm; Dec 21
St. Martin-in-the-Fields
Tel: 44-171-8300089
● Messiah: by Handel. Conducted by Stephen Layton and performed by the choir and orchestra of Polyphony, soprano Susan Gritton, countertenor Michael Chance, tenors Lynton Atkinson (Dec 21) and Mark *Padmore (Dec 22)*, and basses Neal Davies (Dec 21) and Stephen Roberts (22); 7.30pm; Dec 21, 22
Wigmore Hall Tel: 44-171-9352141
● *The Sixteen: with conductor* Harry Christophers and lute-player Robin Jeffrey perform works by Britten, Poulenc, Bennett, Ridout and Anon; 6pm; Dec 20
DANCE
Royal Opera House - Covent Garden Tel: 44-171-3044000
● Twyla Tharp Rossini Ballet: a full-evening, three-act ballet, choreographed by Twyla Tharp to music by Rossini, performed by The Royal Ballet; 7.30pm; Dec 20

MILAN

OPERA & OPERETTA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Die Zauberflöte: by Mozart. Conducted by Riccardo Muti. Soloists include Soile Isokoski, Simon Keenlyside and Sergio Bertocchi; 8pm; Dec 21, 23 (3pm)

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Andrew Davis and oboist Joseph Robinson perform works by Delius, Vaughan Williams and Tchaikovsky; 8pm; Dec 20, 21, 22 (11am)
Auditorium of The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Aulos Ensemble: with conductor Tim Smith and The Riverside Choir perform works by Britten and J.S. Bach; 6.30pm & *8.30 pm; Dec 21*

OTTAWA

DANCE
National Arts Centre
Tel: 1-613-996-5051
● Fracturing Silence: a cinematographic choreography by L'Esquisse (Joëlle Bouvier and Régis Obadia) to music by Rossellini, J.S. Bach, Pärt and others, with excerpts from speeches by Martin Luther King and war archives; 8.30pm; Dec 20

PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 22 22
● Orchestre Philharmonique de Radio France: with conductor Saulius Sondeckis performs works by Haydn and Shostakovich; 8pm; Dec 22

ROME

CONCERT
***Accademia Nazionale di Santa* Cecilia** Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor and violinist Vladimir Spivakov, pianist Igor Cetouev and oboist Aleksej Ogrincuk perform works by J.S. Bach, Beethoven and the Strauss family; 7pm; Dec 21

VIENNA

CONCERT
Austria Center Vienna
Tel: 43-1-23690
● A Celebration of Christmas: conducted by Vjekoslav Sutej, *performed by the Wiener* Symphoniker, tenors José Carreras and Placido Domingo, and singer Nathalie Cole; 7.30pm; Dec 23

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with Oscar-winning singer Maureen McGovern in a concert of holiday music; 7pm; Dec 20, 21 (8.30pm)

WORLD SERVICE

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Price worth paying

Emu should come with an exit option allowing the return of national currencies if inflation thresholds are breached

Mr Helmut Kohl, the German chancellor, and Mr Theo Waigel, German finance minister, largely got what they asked for at last week's Madrid summit. Most European Union leaders reaffirmed their commitment to monetary union in 1999; the new currency will be called the "Euro"; and participants will be chosen in early 1998 on the basis of 1997 financial data.

But the smile of Germany's top government representatives may soon disappear in the frosty domestic political climate. The real task still lies ahead. Economic and monetary union is a Franco-German idea. As long as the political elite in Paris still wants to shrug off the yoke of the Bundesbank (light as that may seem after the interest-rate cuts of 1995), it is German domestic politics that will make or break Emu.

At present, almost two out of three Germans would rather keep their D-Marks. In a representative democracy, the government does not need the backing of the electorate on all important issues. But with the next federal election in Germany scheduled for autumn 1998 – between the selection of Emu participants and the fixing of Emu exchange rates in 1999 – the government must ensure that German voters at least acquiesce in the idea. If it does not, anti-Emu sentiment may ride so high at that election that a new government may want to abort the idea at the last moment.

Germany's leading opposition party – the Social Democratic party (SPD) – has already served notice that it may argue for a delay in Emu. Under Mr Oskar Lafontaine, its energetic new leader, important elements in the SPD may endorse a delay as a politically correct way of attracting the anti-Emu vote.

Such a delay need not be fatal for Emu. It might be sensible to make sure that even the core European countries can stick to the Maastricht criteria. But it would be a risky gambit. And, in view of the warnings on the subject that emanated from Madrid, a delay could derail the entire Emu project.

German concerns focus on the quality of the proposed new single currency. Any attempt to make Emu more popular in Germany will need to deal squarely with the question of why it makes sense to abolish the D-Mark and the Bundesbank.

The principal difference between the present monetary system and Emu comprising the core countries of Germany, France, Austria and the Benelux countries would be the replacement of the Bundesbank by an untested new institution. Without Emu, Europe might gradually become a *de facto* monetary union based on the D-Mark. This would leave the Bundesbank – the institution that probably best mirrors the inflation aversion of the German public – in control.

The D-Mark acts at present as a highly visible measuring stick for the quality of monetary policy outside Germany. This salutary influence would disappear once it gave way to a single currency. Unconstrained by a D-Mark exchange rate, central bankers – even from countries that have shadowed the Bundesbank closely – may show a greater tolerance for inflation than their recent record may suggest.

> The threat of resurrecting the Bundesbank would concentrate the minds of European central bankers on what it takes to preserve the value of a single currency

Of course, the German authorities could help to soothe the inflation fears of the German public. That was one of the main purposes of Mr Waigel's recent proposal for a stability pact. But even if this were accepted as proposed, it might not work when it was most needed.

Would a country that was already cutting welfare spending to rein in its budget deficit really be ready to make more cuts in order to pay a fine? How would European politics be affected if French or Belgian workers then vented their anger over domestic welfare cuts at Germany – supposedly the force behind such fines – rather than their national governments? Insistence on stiff fines could be a recipe for political strife within Europe.

The Bundesbank is also trying in its own way to make the new currency a reliable store of value. It wants to impose its own toolkit, complete with money supply targeting and minimum reserve requirements, on the nascent European central bank.

But the Bundesbank owes its reputation to its results not its toolkit. Since it has missed its money supply targets on average every other year, the German public might not be overly impressed if it were announced that a European central bank was to have its own money supply targets.

In order to demonstrate credibly that a new European currency can be as hard as the D-Mark, the European central bank should be given an inflation target of 2 per cent, with penalties for the central bank board if the target is missed. This would enable everyone to monitor the bank's performance.

In addition, monetary union should include an exit option: countries should be allowed to reintroduce their national currencies if European inflation went above a threshold level of, say, 3 per cent for more than two out of any four years.

The threat of a resurrection of the Bundesbank would serve wonderfully to concentrate the minds of European central bankers on what it takes to preserve the value of a single currency.

An explicit inflation target and an exit option might soothe the German public's worst fears. But inflation aversion appears so entrenched that it may be beyond the power of any economic argument to persuade Germans that they would be better off without the D-Mark and the Bundesbank. Ultimately, only clear political arguments can achieve this.

Other governments seem to resent the growing economic dominance of the Bundesbank within Europe. As a good EU team player, Germany must take such feelings seriously.

Most Germans love Europe as well as the D-Mark. If they could be convinced that monetary union was part and parcel of a sensible grand design for Europe, public opinion might – just – accept Emu, unloved as it may be, as a price worth paying.

The way to convince them is not by initiating another public relations campaign. Instead, Germans would need to see progress on matters of hard political substance. Making marginal changes to one arcane Euro-procedure or another would not be enough. Nor would giving extra powers to the largely unknown European parliament in Strasbourg.

Europe's politicians should instead explain convincingly how a beefed-up EU, complete with Emu among its core members and sweeping institutional changes, could prevent future Serbian-style acts of aggression. That may persuade the German public to take notice and put politics above their fear of inflation.

The author is senior economist at Merrill Lynch in Frankfurt

LEADERS FOR A NEW MILLENNIUM

Martine Aubry · By David Buchan

A politician of practical use

'The single currency is good, but not worth breaking the country to acquire'

Martine Aubry wants to be useful, and if the French Socialists win the 1998 parliamentary elections she may yet have her chance.

The 45-year-old former minister has become one of the party's most committed campaigners against unemployment, which is higher in France than in any other leading industrial nation.

If jobless levels rise further ahead of economic and monetary union, the Socialists are likely to be the political beneficiaries – with Mrs Aubry set for high office.

Mrs Aubry is one of the new breed of French leftwingers who criticise the policy of monetary rigour which has dominated French politics since the mid-1980s. In the process of maintaining the *franc fort*, the Socialists "forgot their values", she says. "The single currency is good, but only as an instrument to make Europe stronger," she says. "It is an instrument that is not worth breaking the country to acquire."

This may sound odd coming from the daughter of Mr Jacques Delors, the former president of the European commission who was the architect of the single currency. But although the two are close personally and politically – both sit on the Socialist party's national council – Mrs Aubry has moved out of her father's shadow.

She emerged as a leading national figure during the last Socialist government, when she was minister of labour during the recession years of 1991-93. Despite efforts to get the long-term jobless back to work, she failed to stem the rise in unemployment, which topped 3m just as she was handing over to the incoming conservative minister in March 1993.

Her father may have taken the high road to Brussels in his political career. But in opposition, Mrs Aubry turned to grass-roots politics, setting up her own think tank in 1993 to tackle unemployment, the Fondation Agir Contre l'Exclusion (Face). The organisation works to find solutions to the problem the French describe as "exclusion" – which Mrs Aubry defines to include "all those who, for one reason or another, can no longer cope on their own in French society".

However, she does not see herself as a do-gooder. She stresses it was the impact of unemployment on society that led her to work 20 years ago for the labour ministry – an unusual choice for someone who graduated high from the Ecole Nationale d'Administration, France's elite college. She worried that "French companies were dropping behind their international competitors by being unable to prepare their employees for the jobs of the future".

Like her father, she advocates the need to create "a new model of society, between liberalism and old-style socialism". She goes on to complain that "the state is failing to fulfil its traditional roles in providing [police] security and education".

Yet she also demonstrates a willingness to challenge traditional leftwing attitudes, for example, on unemployment. The state is too dominant in areas such as social welfare, she says, "without imposing a real obligation on people to look for work".

Her foundation is developing practical approaches to getting people back to work in co-operation with the leading industrialists who back it. These include Mr Jean Gandois, then president of Péchiney, the state-owned aluminium and packaging group, and now head of the Patronat employers' federation. It is trying to woo companies back into urban blackspots such as north Marseille, an area of some 250,000 people which is high on drugs and low on jobs.

Her foundation is working with its corporate backers to develop practical approaches to getting people back to work. Face has formed a "club" of some 80 companies to see what can be done to bring businesses back into urban blackspots such as north Marseilles, an area of some 250,000 people which is high on drugs and low on jobs. These include McDonald's, which has opened a fast-food shop employing 60 young people it has trained. Face hopes to convince the Decathlon sports chain to do the same.

In another scheme Face has linked up with the Casino supermarket chain to provide training for services for customers such as car-washing and child-minding – both at the chain's shops and at customers' homes. This employs 40 young people in Marseilles, but Casino plans to extend it to up to 3,000 people across the country.

Several projects to provide new jobs by recycling waste have also been piloted. In Marseille, young people are recycling packaging for Casino and Sodexho, the catering company. Elsewhere, they are repairing second-hand household electrical items and selling them in special shops in poorer areas.

France Télécom is now handing over all its old telephone sets for recycling to a Face entreprise employing ex-convicts and drug addicts. And it is negotiating with International Business Machines to do the same for old computers.

Although her profile has been high, until this year Mrs Aubry had had no experience of seeking election – French ministers cannot be members of parliament. But in June she became first deputy mayor of Lille, the stronghold of Mr Pierre Mauroy, Mr Mitterrand's first socialist prime minister.

This year she also played a leading role in the presidential campaign of Mr Lionel Jospin, the left's candidate who ran Mr Jacques Chirac surprisingly close in the May elections. Mr Jospin made her his chief campaign spokeswoman, and was believed to be considering her as his prime minister.

In addition, she created Agir, a left-leaning political club with 10,000 members in 80 branches outside Paris. And she has also just co-authored a book which urges the left to take on the far-right National Front led by Mr Jean-Marie Le Pen. "If the Left does not confront Le Pen, who will?" she says.

French politics needs more women, says Mrs Aubry, because "they are more courageous and direct than men". These qualities are certainly evident in Mrs Aubry, and could eventually carry her to the top. But if they do not, she will at least have the rare satisfaction for a politician of having been of practical use in the interim.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Business confidence post-Emu highlighted

From Mr Vernon Ellis.

Sir, I refer to your article "German and UK business doubtful on Emu benefits" (December 14). Lies, damn lies and statistics. Your article on Andersen Consulting's survey of European business leads on the doubts that UK and German businesses have over their future competitiveness post-Emu.

In reality, all German businesses were confident they could compete successfully and five out of six UK businesses were also confident.

Your article also highlights that 39 per cent of UK businesses were worried that economic decisions might be taken in the interests of the Emu bloc as a whole.

It chose not to highlight the 62 per cent who said that "deeper integration in the form of Emu would be beneficial for business", nor the 82 per cent who believed that "the steps taken to date to create a single market have resulted in benefits for business".

You can prove anything with statistics, but the point is that business has an important contribution to make to the debate on Emu. Its voice should be heard.

Vernon Ellis,
managing partner, Europe,
Andersen Consulting,
2 Arundel Street,
London WC2R 3LT,
UK

Question of poverty is debatable

From Mr Guido M.R. Franzinetti.

Sir, In her article on eastern and western European social indicators ("Statistical Berlin Wall divides Europe", December 13), Frances Williams appears to accept the UN Economic Commission for Europe's view that "poverty has increased dramatically in countries making the transition to a market economy since the fall of communism".

Given the truly dramatic change in the basket of goods available to eastern European consumers, one is entitled to entertain a certain degree of scepticism towards such forthright statements and the subsequent assertion that "in Bulgaria and Romania half of all households are living below the poverty line".

Unquestionably, many people in eastern Europe (including the Czech Republic) *feel* they are less well off than they were before 1989 or even 1969; undoubtedly relative deprivation (within eastern European societies) has increased. But the Economic Commission for Europe's grim picture of life in eastern Europe should be substantiated by a critical evaluation of the reliability of official statistics on such a politically sensitive issue (with particular reference to hidden social subsidies, of which most eastern Europeans seem to be blissfully unaware).

Guido Franzinetti,
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via Principe Amedeo 34,
10123 Turin, Italy

Parallel trade in drugs still a problem

From Mr Stephen Kinsella.

Sir, Your editorial "Euro-drugs" (December 14) suggests that the effect of the Commission decision not to extend the moratorium on parallel trade in Spanish and Portuguese pharmaceuticals will be to allow "cheap copies" from those countries into other member states, thereby undermining the investment efforts of the pharmaceutical companies. Your comment reflects a widespread misunderstanding.

At present, if a pharmaceutical company owns a UK patent for a drug it will be able to exercise its patent rights to prevent copies of that drug manufactured in Spain and which infringe its patent from being exported to the UK. The European Commission's decision will not alter this state of affairs.

The real impact of the Commission decision is that, until now, the UK pharmaceutical company was able, where it sold or licensed the sale of its own drugs on the Spanish and Portuguese markets at the lower prices prevailing there, to prevent the re-export of those drugs into other member states in which it had patent protection and was selling at higher prices.

It was able to do so in reliance upon its patent rights and by derogation from the general principle of Community law, which holds that a patent proprietor cannot exercise his rights to prevent trade in his own products across intra-Community frontiers.

The Commission decision will confirm the ending of this derogation and will expose pharmaceutical companies to the risks of parallel trade where they allow (or feel themselves obliged to allow) sales of their products in lower priced markets.

The real problem which the Commission's decision fails to address is that some member states which set the prices of pharmaceuticals artificially low by reference to the average choose to disregard the effects on the R&D budgets of pharmaceutical companies if those companies are largely based in other member states. Parallel importers then intervene and buy up stocks from those cheaper markets, making a profit on the margin at the expense of the pharmaceutical companies without necessarily benefiting the consumer.

It is this problem of differing price levels that the Community has to confront and that the Commission's decision has thrown into even stronger relief.

Stephen Kinsella,
resident partner,
Herbert Smith,
15 Rue Guimard,
1040 Brussels, Belgium

Wu's role in revealing how dissenters are treated in China

From Ms Colina MacDougall.

Sir, I was outraged by your reference to Harry Wu in your editorial, "Chinese justice" (December 14). Mr Wu did not enter China in the summer "with the deliberate intention to provoke". He entered under his own name and with a valid visa, to investigate China's labour reform camp system and attendant abuses.

Mr Wu spent 19 years in a labour reform camp in China, and since emigrating to the US has done his best to reveal the details of China's prison system to the world. Of course the treatment of Wei Jingsheng is deeply shocking, but an important reason why it now attracts the attention of newspapers like yours is because of the work done by Mr Wu and others to reveal how China treats those who do not toe the political line.

I was almost equally dismayed to see your claim that China does not care about outside protest. Mr Wu owes his freedom to pressure applied by the US government. He was of course a special case, as a high-profile US national for whom Washington was prepared (as I understand it) to trade Hillary Clinton's presence at the Beijing UN Women's Conference. But China's ever-thickening links with the outside world mean that in general its leaders can no longer avoid taking foreign views into account.

It is essential that foreign governments and institutions express their views. Deng Xiaoping, China's leader, is on record as saying some years ago that, as foreigners had not objected to Mr Wei's (first) arrest, there was no need for China to fear international repercussions from its repressive policies. At least this time Beijing should not get the idea that the world is indifferent.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Elections in Russia

The most obviously positive outcome of the weekend elections in Russia was that around 65 per cent of Russian voters cared enough about democracy to face the elements and peacefully voted for 43 competing parties. The re-emergence of the Communist party as the largest single party in Russia is unwelcome. The unexpectedly strong showing of Mr Vladimir Zhirinovsky, the arch-nationalist rabble-rouser, is still more so. Yet a successfully completed election is another step on the path to normality. It should be welcomed as such, not only in Russia, but also in the West.

The ultimate composition of the newly elected Duma will not be known for several weeks. The votes of the parties that failed to scale the 5 per cent entry barrier will have to be redistributed and the 225 directly elected members, who take half of the 450 seats, must make their affiliations known as well.

Millions of Russians have again vented their anger against those seen to have destroyed the Soviet Union and deprived them of their former security and status. Consequently, Mr Gennady Zyuganov's Communist Party could end up with around 40 per cent of the party list seats and a fair proportion of the directly elected members. But many of these seats will be at the expense of Mr Zhirinovsky. He did better than expected, largely at the expense of General Alexander Lebed whose party did badly, even though he himself was elected by the city of Tula. But Mr Zhirinovsky's party received only half of the share of vote that it won in 1993.

Market reform

In the circumstances, the governmental and pro-reform parties have done as well as could be expected. Moscow and St Petersburg, with their high concentration of intellectuals, bankers and businessmen voted strongly for continuing with market reform. Support was much weaker elsewhere, as expected. But both Our Home is Russia, the party headed by the prime minister, Mr Victor Chernomyrdin, and the Yabloko block, headed by Mr Gregor Yavlinsky, scored around 10 per cent of the vote each. Even Russia's Choice, headed by Mr Yegor Gaidar who imposed "shock therapy" reform on Russia three years ago, looked set last night to clear the 5 per cent hurdle.

Once again, Russia will find itself with a divided parliament that reflects a divided country in the depths of a profound economic transformation. Reforms have brought pain to many, wealth beyond belief to a few – and hope for a more prosperous and democratic future for millions of younger Russians. In the long run, even pensioners and the low paid will gain from lower inflation, and not from the return of subsidies and bloated military budgets. But that is not yet clear to them.

Decisive contest

The new Duma reflects the tensions of a vast country divided between city and countryside, between old and young and, increasingly, between newly rich and poor. Like the old one, it will be noisy, obstructive and suspicious. But it has little real power.

The decisive contest still lies ahead, at the presidential elections in June. As in Poland, the most powerful man in Russia is likely to be chosen in a second round run-off. The result remains wide open. The Duma elections confirmed Mr Zhirinovsky's attraction for protest voters, while dashing the hopes of General Lebed. Many communist voters saw the general as a more promising potential presidential candidate than their colourless party leader, Mr Zyuganov. The prospect of a red-brown alliance of former communists and soldiers under the Lebed banner looks remote.

A new potential worst-case scenario takes its place – a second round run-off between Mr Zhirinovsky and Mr Zyuganov, one that Mr Zhirinovsky could just win. But six months is a long time in politics, especially in Russia. Much will depend on whether President Boris Yeltsin is fit and decides to run. Whatever he does, pro-reform forces must sink their differences and unite around a single candidate. To have any hope of winning, they will also have to heed the electorate's anger, particularly about the corrupt transfer of Russia's oil wealth to a tiny minority.

Red herring in the Euro debate

No useful purpose would be served by a government defeat in tonight's Commons vote on fisheries policy. It would neither topple Mr John Major nor lead to any reform of the Common Fisheries Policy. The only legacy would be yet another scar inflicted on Mr Major by Tory Eurosceptics.

Even then, it would be a singularly perverse blow. On the one hand, it would have come about through the combined votes of Tory Eurosceptics, MPs with substantial local fishing industries, and an opposition Labour party far more enthusiastic towards European integration than the existing government. No alternative deal for the UK's hard-pressed fishing industry is available from this unholy alliance.

On the other hand, fisheries policy is about the least appropriate pretext for Eurosceptics to defeat the government. For the moral of the Common Fisheries Policy is that isolation from the development of EU initiatives vitally affecting Britain is a dereliction of the national interest.

The policy is a classic instance of this reality. Both the relevant article of the Treaty of Rome, and the first common policy resulting from it, were agreed before the UK joined the European Community in 1973. Indeed, the 1970 version of the fisheries policy, drawn up by the then six members of the Community, was motivated at least in part by a desire to limit exclusive national fishing rights before membership was extended to the UK, Norway, Denmark and Ireland – all states with important fishing interests.

Rearguard actions

The UK thus missed out on deliberations leading to important decisions of principle regarding the common fisheries market. In the accession negotiations it was largely limited to arguing about the number of miles – extended from six to 12 – beyond which free access would be accorded to other EU fishing fleets. Important issues, such as conservation, have arisen since but much of the debate has focused on the consequences of decisions taken before 1973.

The moral applies unambiguously to the single currency, a whale to the minnow of the Common Fisheries Policy. Mr Major – and Mr Tony Blair if Labour wins the next election – must resist pressure to exclude Britain from a currency union in advance of a decision by other member states to proceed with one. Such a declaration could only weaken their ability to defend vital economic interests – which will be at stake whether the UK joins or not.

However, two other discrete issues must be disentangled from the fisheries debate. The first is fish conservation; the second the way in which parliament considers the evolution of EU policy.

Drastic cuts

Measures to conserve fish stocks would be needed with or without a Common Fisheries Policy. Much of the fishing industry's recent anguish flows from reductions on fishing quotas likely to be imposed next year. The proposed quota cuts are drastic, extending up to 54 per cent in the case of western mackerel and 47 per cent for North Sea herring and plaice. Scientists claim that many fish stocks will continue to collapse without cuts of this order.

There is some room for argument about the size and structure of quotas. But just as important are policies to encourage people to leave the industry, and effective mechanisms to ensure that the industry's grievances are heard clearly in London, and through London in Brussels.

Fisheries ministers make efforts to listen and respond to their national industries. But the impression that decisions are taken in far-off Brussels, taking too little account of local interests, is pervasive. In the UK it is exacerbated by the failure of the House of Commons to interest itself consistently in the evolution of policy in areas such as fisheries which have now largely passed to Brussels.

There is another moral here for the single currency. Nothing is likely to damage it more than the impression of remoteness and unaccountability. Calling it "the Euro" is not, miraculously, going to make all EU citizens believe it serves their interests.

The FT Interview · **Carlo De Benedetti**

The Engineer on the line

The Olivetti chairman tells **Andrew Hill** and **Peter Martin** he feels much more motivated with a smaller stake and is playing the game the 'world wants to play' as a public company

Mr Carlo De Benedetti looks like a man who has received an enormous "get well soon" card from a group who three months ago were threatening to switch off the life support machine.

Olivetti, the Italian computer group of which he is chairman and chief executive, has just succeeded in raising L2,257bn ($1.4bn) from new and existing shareholders through a rights issue. The proceeds will be used to relaunch the loss-making company as a broad-based information technology and telecommunications group.

Failure would have left the shares in the hands of a group of Italian banks, some of which wanted to impose a much stricter restructuring plan on Olivetti. Success, at least according to Mr De Benedetti, has transformed the group into "a real public company", as much as 70 per cent of which may now belong to foreign investors.

The De Benedetti family is still indirectly the largest shareholder in Olivetti through the holding company Cofide, which in turn controls Cir, another holding company. But Cir's stake in Olivetti has been diluted from 21 to 16 per cent.

In an interview at Olivetti's headquarters last week, Mr De Benedetti described his plans with the same disarming mix which wooed foreign investors: pride, promises of great things, and humble apologies for past errors.

He claims he feels "much more motivated" with a smaller stake in the company than he did a few years ago when he owned 40 per cent. "I don't think I'm entitled to be here just because of the number of shares [I hold]," he says. "I have the right to be here for as long as the shareholders think I can run the company. I'm not here for the sake of money or power."

In the past, shareholders have given *l'ingegnere* ("The Engineer" as he is known) a fairly easy ride, given the company's recent troubles. If Olivetti succeeds in its aim of making a net profit in 1996, it will be the first for five years, during which at least four restructuring plans have been tried out. This time, however, Mr De Benedetti claims his job is on the line.

"If it doesn't work, I'll be chased out, there's no doubt," he says. "If we can't show by June 1996 that the company is in a real turnround, and we're consistent with what we've said, you won't see me around any more."

This readiness to talk about sacrificing himself is the most obvious sign that Mr De Benedetti has recovered his self-confidence. But it certainly does not mean he is preparing to leave. "I don't think it's going to be easy for somebody to take over this company while I'm here," he admits.

Apart from the vote of confidence from foreign investors, he is now heartened by signs of progress with the restructuring plan, under which Olivetti has promised to accelerate its move towards the telecoms sector, lay off 5,000 employees and turnround its ailing personal computer business.

Olivetti already believes that it has narrowed down the area of dispute with the unions to just 1,000 redundancies. The other 4,000 are abroad, part of an old agreement, or already covered by the state-funded temporary lay-off scheme.

On the telecoms side – the most promising part of Olivetti's business, according to analysts – progress is dictated by the speed with which the closed Italian market is opened. But Omnitel Pronto Italia, the Italian mobile phone operator in which Olivetti now has a 41 per cent stake, started full commercial operations earlier this month. France Télécom and its allies are to join Infostrada, the telecoms joint venture between Olivetti and Bell Atlantic of the US.

Indeed, if the Italian market is fully liberalised, and Olivetti achieves a net profit in 1996, Mr De Benedetti believes there will be no difficulty persuading investors to fund further telecoms expansion, even though neither Omnitel nor Telemedia, the umbrella company which includes Infostrada, is making much money yet.

As for the troubled personal computer business, Mr De Benedetti told reporters six months ago that abandoning PCs "would be like asking Fiat to stop making cars". Now he is more brutal about the consequences of failure. "We've made it clear to the financial community, to the unions and to the new management [of the PC company], that if we aren't able to reach a breakeven position on PCs by the end of 1996, we are going to close it," he says.

In an attempt to meet that target, Olivetti has launched new models in the last two months, including the innovative, user-friendly home computer Envision, and Mr De Benedetti says the entire management of the PC division has been changed ready for its transformation into a separate but wholly-owned company on January 1.

If the PC business survives, Mr De Benedetti sees a bright future for Olivetti in network computing and he talks tantalisingly about a forthcoming joint announcement with "a major US firm" in this area.

Mr De Benedetti does not want to close the PC operation, any more than he wants to leave the company he took over in 1978. Indeed, he attributes some of Olivetti's recent problems to the fact that he did not spend enough time at the computer group once he had successfully transformed it from a manufacturer of typewriters and other office machinery in the 1980s.

Now he believes he can trust his son Rodolfo, 34, with the running of Cir and Cofide, and devote more time to Olivetti, under the watchful eye of its new institutional shareholders. "I'm really going to make the transition, from a business point of view, from a computer to a telecoms company, and from a structural point of view, from a family-controlled company to a real public company," he claims.

He has, for example, already asked Consob, the Italian takeover watchdog, to reduce the threshold above which stake-building investors must launch a public offer for shares in Olivetti, and he enthuses about how the threat of takeover will motivate management.

But as Mr De Benedetti himself admits, he still wears two hats – that of chief executive, and that of a significant shareholder. Indeed he embraced the idea of heading a public company partly because his original plan to maintain control through a refinancing of the family companies was turned down by sceptical banks. They underwrote the rights issue at Olivetti, but refused to back rights issues at Cir and Cofide, forcing the De Benedettis to loosen its grip on Olivetti.

"I would have preferred to do it the way I indicated to the banks as my plan," he says. "But from the moment [they refused], I decided to play the game of a public company... This is the way the world is, let's play the game the world wants to play."

It may be difficult for Mr De Benedetti to reconcile his two roles at the company. He says, for example, that he does not want Rodolfo to take over the running of Olivetti and suggests that Mr Corrado Passera, the current chief executive, would be a better candidate. "Tell me one telecoms company in the world which is owned by a family: it isn't realistic," he points out.

Yet he also describes Mr Passera, who was taken on by Mr De Benedetti as his assistant at Cir in the late 1980s, as "like a son to me", and insiders say working in Olivetti management is often like being part of a big squabbling family, with Mr De Benedetti as paterfamilias.

This ambiguous set of relationships may frustrate his fellow shareholders in future, but if they have studied Mr De Benedetti's career they are unlikely to expect him to behave like a docile agent of their wishes. In the 1980s, Mr De Benedetti was Italy's nearest equivalent to a US-style corporate raider, and he launched an unsuccessful bid for Société Générale de Belgique ("a mistake", he now admits). He was also the man who established the cascade of companies through which he controls Olivetti and a string of other industrial and financial companies, "because I didn't have the money to do it otherwise".

As the head of the group, he took the credit for the successful growth of Olivetti as a computer manufacturer in the 1980s. But he claims he also "paid the price" of privilege in 1993, when he gave evidence to Rome magistrates about extortion, after Olivetti came under investigation as part of the nationwide clampdown on corruption. Mr De Benedetti has heard no more about that inquiry, and he believes that neither the corruption case, nor the jail sentence he received for his alleged role in the collapse of Banco Ambrosiano ("a non-issue" against which he is appealing) will affect his future.

The setbacks may even have served to strengthen his resolve to push on with the next phase of Olivetti's transformation. Shareholders seem to believe, for now, that he is the best person to do it, but winkling him out of Olivetti, should it ever prove necessary, will require somebody of equal determination.

· OBSERVER ·

[illegible] to the [illegible]ters?

[illegible] of politics, there are [illegible] right?

[illegible] ruse dreamed up [illegible] Liberal [illegible] party – to sow chaos [illegible] the ranks of the [illegible] Frontier party – [illegible] new ground [illegible] days, the NFP [illegible] a new leader in a [illegible] Ozawa, who is [illegible] the people's [illegible] amiable former prime minister Tsutomu Hata. In [illegible] to arouse a jaded public, the NFP has said that anyone prepared to stump up Y1,000 – the price of two copies of the FT in Tokyo – can vote.

Seiroku Kajiyama, a senior and influential LDP man, has taken the opposition at its word. He has urged his junior LDP colleagues to buy NFP ballot papers... and vote for Ozawa. According to LDP intelligence, success for the Ozawa faction might cause the opposition to break up. Ozawa's party colleagues divide between those fiercely for and those just as fiercely against him.

From the LDP's point of view, a fragmented NFP, which ought to allow the incumbents a few more years in power, would be a snip at Y1,000 per vote. But is this really the intended outcome of Japan's political reform, supposedly so urgently sought by those on either side of the fence?

Gross asset

■ Cadbury Schweppes will have to make some room on its balance sheet for its newest, and largest, asset – Shaquille O'Neal, the giant American basketball player. O'Neal promotes "Mr Big", the chocolate bar made by Neilson Cadbury, the Canadian confectioner which has just been acquired by Cadbury. At 7ft 1in and weighing more than 21 stones, O'Neal is one of the biggest in a game of big men. Such is his aggressive demeanour on court that he has become renowned for pulling down the towering glass backboards which support the basketball net. However, in the great tradition of all big men, off the court the Orlando Magic star is a real pussycat.

Lara's theme

■ Not much mystery about the cause of the West Indies' miserable performance in Australia. The once invincible cricketers have fallen out with their most famous player – Brian Lara.

Instead of concentrating on the Australian bowlers, who have routed them with unaccustomed ease, the West Indians have spent far more time worrying about what was going on back home in the Caribbean. The differences between Lara and the West Indies Cricket board, and between Lara and several members of the team, including captain Richie Richardson, have been ricocheting around the changing room.

Lara wants to be captain of the West Indies, and, if he doesn't get his way, he may not turn out for next year's world cup in Asia. Lara may not be the right man for the job; but then neither is Richie Richardson. Perhaps Courtney Walsh should start limbering-up.

Juppé's japes

■ The French prime minister may have been publicly humiliated by the country's unions, but Alain Juppé has been seeking his revenge in more discreet ways. First, he has apparently demanded a detailed report from the audio-visual regulator to see whether television channels have been biased in their coverage of industrial unrest, and favoured the strikers over the government.

He has also neatly stabbed the communist-influenced trade union CGT in the back. He has whipped away its seat on the advisory board of ENA, the elitist public administration school which turns out top politicians including President Jacques Chirac, not to mention Juppé himself.

The union can count precious few of its members in the upper echelons of the administration, but that has not stopped it acting deeply wounded, dubbing Juppé's decision "authoritarian and arbitrary". Makes you wonder, though, what it was doing on the advisory board of such an elitist institution in the first place.

Nigel's clue

■ Conrad Black is taking another leaf out of the Rupert Murdoch management bible. Deciding his US newspapers need an injection of Aussie editorial talent, he has dispatched Nigel Wade, 49, the Daily Telegraph's foreign editor, to be editor-in-chief of the Chicago Sun-Time, the windy City's number two tabloid.

Wade, who was born in Australia but strangely regards himself as a New Zealander, differs from the typical Murdoch export in that he has spent the bulk of his career reporting from places like Washington and Moscow. However, he does have the common touch. He has just won £1,000 by suggesting to the Daily Telegraph management that they should introduce a helpline for readers struggling with the crossword. Just the kind of idea to get one to the top of a Murdoch organisation.

God in details

■ And finally, as the old Korean saying goes: "A dog is not just for Christmas. It will last well into the new year, if carved carefully."

The Financial Times

100 years ago

President Cleveland's message breaks prices

The one topic of conversation on the London Stock Exchange today has been President Cleveland's Message to Congress regarding the rights of Great Britain and Venezuela, and the application thereto of the Monroe Doctrine. The feeling all round has been the reverse of what the President intended. Instead of irritating the British public, the message has been received, on the Stock Exchange, at all events "more in sorrow than in anger." Intense indignation is expressed at the fact of a responsible statesman, hitherto respected, so prostituting his country for election purposes; but the idea that war can possibly result from such a childish protest is almost universally scouted. Yet the new development made prices flat, because it is feared that the discussion of the Monroe Doctrine will drag on and keep the public in a nervous condition for some time.

50 years ago

Canadian Pacific earnings

Canadian Pacific Railway's gross earnings for seven days to the 14th December was $5,896,000, and increase of $65,000.

FINANCIAL TIMES
Tuesday December 19 1995

PM pushes aside scandals to run for fifth term

González willing to fight Spanish general election

By David White in Madrid

Mr Felipe González, the Spanish prime minister, yesterday pushed aside the scandals surrounding his government and said he was willing to fight the general election planned for next March.

He agreed to mount a campaign for the premiership after coming under strong pressure from the Socialist party's 35-member executive committee not to stand down.

Mr González's decision, in the immediate aftermath of a successful European Union summit in Madrid, coincided with a poll by the government's centre for sociological research indicating that the Socialists had gained ground on the conservative Popular party opposition.

The poll was reported to show the PP's lead reduced to between 6 and 8 percentage points compared with a previous figure of around 10 per cent. The PP won convincingly in last year's European Parliament election and in regional and local ballots earlier this year.

Mr González, whose personal standing has suffered from a wave of scandals affecting former senior government officials, made clear at yesterday's meeting that he did not see his post as permanent and wanted the party to consider a change.

Strong pressure was put on González not to stand down

However, the main factions of the party closed ranks behind his candidacy, with only the minority Socialist Left group clearly in favour of an early move to replace him.

The decision to keep Mr González at the head of the Socialist campaign – his seventh as leader – is due to be ratified by the party's full federal committee on Friday.

Mr González, 53, has won four consecutive terms since 1982, but has had to govern for the past two years without an outright majority in parliament.

He was forced this autumn to agree to an early election when Catalan nationalists abandoned an informal alliance with the Socialists and withdrew their parliamentary support, leading to a humiliating government defeat over the 1996 budget.

The election has been promised for March, but the exact date is not expected to be announced until around the end of the year.

Mr González increased the suspense by delaying his decision, amid a succession of direct and indirect accusations against him, especially over government involvement in the killing and kidnapping of terrorist suspects in the 1980s.

But his candidacy became a virtual certainty earlier this month when Mr Javier Solana, foreign minister and Mr González's preferred choice as successor, was instead named secretary-general of Nato.

Mr González is the only socialist to have contested the Spanish premiership in the past 60 years.

Lost production from French strikes estimated at FFr8bn

By Andrew Jack and Haig Simonian in Paris

France has lost up to FFr8bn ($1.6bn) in output because of the wave of public sector strikes over the last three weeks, according to provisional figures released yesterday by Insee, the national statistical institute.

Insee said the lost production would help knock 0.3 to 0.4 per cent off growth in gross domestic product for the final quarter of 1995. The forecast came as rail and urban public transport began to return to normal yesterday.

Meanwhile, Mr Jacques Calvet, head of Peugeot-Citroën, the car group, said he would seek compensation from the authorities for the losses his company had suffered because of the strikes.

He also warned that measures proposed by Mr Alain Juppé, the prime minister, at a "social summit" scheduled for Thursday, to reduce working hours would cost jobs by reducing French productivity and competitiveness.

Mr Calvet did not say how much damages he would seek or when. His company had been spending FFr80,000 a day hiring buses to bring workers to its Poissy plant alone. He would pursue the SNCF national railway network and other public sector bodies "at the right moment".

The executive council of the Patronat, the French employers' body, voted last night to attend the social summit in spite of internal division.

Mr Juppé has pledged to discuss youth unemployment, working hours and ways to stimulate economic growth at the summit, while ruling out negotiations on salaries or a range of broader issues. Government aides said the talks would focus on how to implement more effectively ideas already discussed with the unions in the last few months.

Mr Louis Viannet, head of the Communist-leaning Confédération Générale de Travail, warned that industrial trouble would flare up again if the social summit failed to come up with concrete proposals including concessions on salaries and the minimum wage. He has called for a further national day of action today.

Much of the Paris metro network and many local and intercity trains resumed operation yesterday, as the government said that just 0.44 per cent of public sector workers were still on strike.

However, trains near the Gare du Nord in the capital were blocked as strikers argued with managers over how many days would be docked from their pay for their industrial action.

Observer, Page 13

Russian Communists vow to restrict reform

Continued from Page 1

constituencies, the Communists had won 29 seats, with another 11 going to the closely allied agrarian party. Our Home is Russia, which had been expected to dominate these constituencies, won only 7 seats.

These results prompted Russia's leading reformers to criticise the government, warning that unless economic policy was changed, a communist or ultra-nationalist candidate would win in the June presidential ballot.

Mr Grigory Yavlinsky, whose Yabloko party had last night won 8.4 per cent of the vote to emerge as Russia's leading democratic party, warned that without changes in economic policy and an end to the war in Chechnya, a communist or nationalist president would come to power.

Foreign governments and the Russian business community were restrained in their reaction to the results. Officials from Germany and the US praised Russia for strengthening its democratic institutions by holding a fair ballot and were confident the country would stick to its reformist course. The rouble was stable at Rbs4,632 to the dollar.

Japanese banks to reject loan companies bail-out

By Gerard Baker in Tokyo

Japan's leading banks yesterday appeared to be on a collision course with the government over a controversial plan to liquidate the country's troubled housing loan companies.

After a series of meetings between the banks and bureaucrats, bank officials said they could not accept the government's 11th-hour plan for a bail-out of the mortgage companies, the largest single problem facing the debt-ridden banking sector.

Bank officials said the burden the ministry was asking them to bear in disposing of the companies was too great. The ministry had planned to set up a new institution to take over the companies, involving big injections of funds from creditors and some from public sources.

The housing loan companies, or *jusen*, have Y6,300bn ($62bn) in uncollectable loans, mostly made to speculative property ventures that went bankrupt after the bubble economy collapsed in the last five years.

In turn, the mortgage lenders owe more than Y5,000bn to the main banks, a further Y2,000bn to smaller banks, life assurers and others, and over Y6,000bn to agricultural co-operatives.

The plan, worked out after months of discussions between ministries and financial institutions, calls for the banks to write off more than Y5,000bn, against just over Y1,000bn for the agricultural bodies. Some Y600bn would be injected in the form of public money. The banks said yesterday those proportions were unfair and unacceptable.

The agricultural co-operatives have argued that the banks should bear the bulk of the responsibility as they established the housing loan companies. Their powerful political connections have been instrumental in helping them gain the support of some in the government.

Last night, the agriculture ministry, which backs the farmers, said it could not accept the finance ministry's proposals either. Mr Hosei Norota, agriculture minister, said he felt the proposal was too accommodating to the banks.

Ministry officials must now hastily orchestrate more talks before the government's budget for fiscal 1996 is completed tomorrow.

Bank officials said they did not oppose the principle of the bail-out, only the size of the contribution they were being asked to make. If there were no agreement, they said, they would be prepared to take the issue to the bankruptcy court, where a normal liquidation process would follow, with the losses being shared out proportionately among the creditors.

Surplus with US falls, Page 3

THE LEX COLUMN

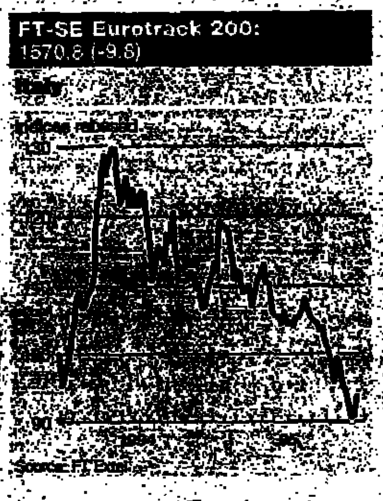
Telephonic ties

The mooted $50bn alliance between Bell Atlantic and Nynex, two regional American telephone companies, would signal the start of rapid consolidation in the US telecoms industry.

The trigger is wide-ranging legislation, expected in the next two months, which will overthrow the cosy structure imposed after the break-up of the old AT&T in 1984. Under the new rules, the seven regional operators – known as Baby Bells – will be allowed to compete for the lucrative long-distance business currently dominated by AT&T, MCI and Sprint. In turn, those three will be free to challenge the Bells' monopoly on local service. Even the giant US market cannot sustain a dozen telecoms operators indefinitely. As companies forge alliances and merge only a handful are likely to survive into the next century.

In that context it would make good sense for Bell Atlantic and Nynex to get together. They merged their cellular phone operations last year and have been bidding jointly for new licences. They cover adjacent geographic areas, with access to 36m homes and businesses on the Atlantic seaboard. And they would have a powerful start in the long-distance market – almost a third of all US long-distance calls originate or finish in their area. There is also scope for reducing costs: currently, a 10-mile call from New York to New Jersey is routed through three operators.

While there is nothing to prevent the two companies merging now, they will probably wait for details of the new legislation. Other deals are expected to follow thick and fast.



Italy

Once more Mr Lamberto Dini, the Italian prime minister, has emerged from the brink, demonstrating political skills surprising in a so-called technocratic leader. His trump card in the latest budget imbroglio was that no Italian politicians wanted to be seen as fiscally irresponsible in blocking an already limp budget. Nonetheless, Mr Silvio Berlusconi, the former prime minister, was keen to extract concessions, such as a legal amendment introducing substantial tax benefits for large stock market flotations – like Mr Berlusconi's Mediaset. A classic Italian compromise is likely to strengthen Mr Dini's push to become caretaker prime minister next year, after fulfilling his promise of standing down at the year end. Meanwhile, Mr Berlusconi should at least be able to look forward to a more affluent retirement.

Financial markets will no doubt welcome the last-minute compromise. The alternative was an interminable debate over some 2,000 amendments. Nonetheless, the political situation remains typically opaque. Few politicians want elections right now. The Left is frightened that it would lose. Mr Dini is keen to stay in power. And all deputies benefit from further postponement, since they have to serve for over two-and-a-half years to earn their pensions. Political uncertainty seems set to continue dampening demand for equities. After all, Mr Dini has failed to introduce the fiscal reforms to tackle Italy's debt. And on any fundamental valuation, the equity market looks fairly valued.

Amec

Amec's successful defence against Kvaerner is a triumph of hope over experience. After a decade of disappointment, investors are betting that a reformed management will deliver levels of profitability that would have seemed a pipe dream six months earlier. Moreover, corporate history is littered with corpses of companies that have fended off aggressors on promises which failed to materialise. Owners Abroad rewarded supportive shareholders with a profits warning just four months after defeating Airtours. And investors got burnt by defending a handful of construction companies from bidders in the early 1990s.

Certainly, Amec's share price will drop tomorrow, but investors are probably wise to back the management. The economic cycle is in their favour, and problem areas have been cleared up. Moreover, the management knows it must deliver expectations of profits above £35m next year, and a substantially reconstructed balance sheet, or heads will roll.

For Kvaerner, there are more painful lessons. Its decision to launch a 100p "final offer" at the very start was a mistake. Fund managers like to feel they are in a position to push for more, and were therefore ill-disposed from the outset. And the purchase of 26 per cent of Amec's shares has backfired. It persuaded investors that the share price would not drop too far, since Kvaerner could sell out to another prospective bidder or bid again next year. At least if Amec meets current expectations, Kvaerner should eventually get a decent payback.

Cadbury Schweppes

Cadbury Schweppes has not lost its hunger for expansion. Yesterday's C$225m ($164m) acquisition of Neilson Cadbury comes at the end of a year which began with the £1.6bn purchase of the Dr Pepper soft drinks group. Neilson is Canada's leading chocolate producer and added to Allan Candy, which Cadbury bought in June, will make the British group the overall market leader in Canadian confectionery with a 24 per cent share. Cadbury has successfully milked a similar market position in the UK. Neilson will also form a base from which to attack the larger US and Mexican markets. This is something Cadbury cannot do directly for fear of upsetting its 40-year licensing agreement in the US with Hershey, one of its big rivals.

This tie-up is unfortunate, because Canadian labour costs are higher than those south of the border and its confectionery market has a history of volatility. Neilson made profits of less than £5m in 1994 and expects only break-even this year. Indeed, Cadbury sold out of Canada in 1987 because it never made much money there. The fact that it is buying the same (though rather larger) business back now looks largely defensive – Nestlé, Hershey and Mars were all interested.

As a result, the price looks high. Although Cadbury is paying a reasonable one times sales, the purchase will probably dilute earnings in 1996. It will also refocus attention on Cadbury's heavily-indebted balance sheet. One or two more bolt-on deals like this and the prospect of another rights issue will loom.

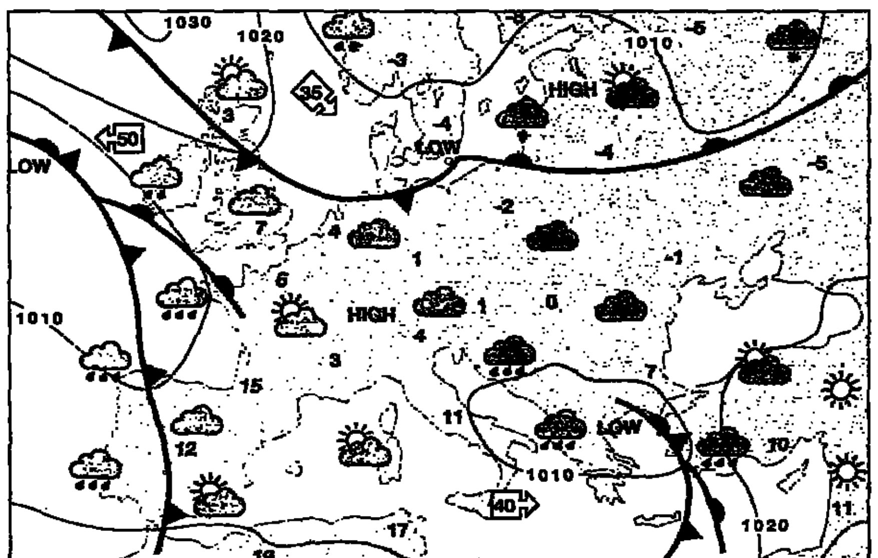
FT WEATHER GUIDE

Europe today

Fog and drizzle will persist over Belgium and Germany will have rain and mist. Rain will fall over Portugal and western Spain. It will remain dry in the Mediterranean. Heavy rain is expected over the former Yugoslavia, Bulgaria and northern Greece. Western Turkey will experience torrential rain.

Five-day forecast

Temperatures in northern Europe and western Russia will steadily decrease this week. There will be widespread sleet and snow in Bavaria and Romania. Southern Europe will stay mild and fair.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	22
Accra	sun	31
Algiers	fair	19
Amsterdam	cloudy	5
Athens	shower	16
Atlanta	rain	15
B. Aires	sun	33
B.ham	drzzl	4
Bangkok	fair	34
Barcelona	fair	15
Beijing	sun	2
Belfast	cloudy	5
Belgrade	sleet	2
Berlin	cloudy	0
Bermuda	fair	20
Bogota	shower	19
Bombay	sun	33
Brussels	drzzl	5
Budapest	cloudy	1
C.hagen	cloudy	0
Cairo	fair	19
Cape Town	fair	21
Caracas	fair	30
Cardiff	drzzl	6
Casablanca	rain	20
Chicago	sleet	3
Cologne	drzzl	4
Dakar	cloudy	27
Dallas	fair	9
Delhi	sun	24
Dubai	shower	20
Dublin	drzzl	7
Dubrovnik	rain	11
Edinburgh	fair	4
Faro	rain	19
Frankfurt	drzzl	3
Geneva	fair	4
Gibraltar	rain	16
Glasgow	fair	3
Hamburg	cloudy	1
Helsinki	snow	-7
Hong Kong	cloudy	20
Honolulu	fair	31
Istanbul	rain	12
Jakarta	shower	31
Jersey	rain	10
Karachi	fair	29
Kuwait	cloudy	15
L. Angeles	sun	18
Las Palmas	cloudy	23
Lima	fair	24
Lisbon	rain	16
London	cloudy	7
Lux.bourg	cloudy	2
Lyon	fair	3
Madeira	shower	21
Madrid	rain	12
Majorca	fair	17
Malta	fair	18
Manchester	cloudy	6
Manila	shower	29
Melbourne	shower	17
Mexico City	fair	19
Miami	fair	28
Milan	fair	7
Montreal	cloudy	-9
Moscow	cloudy	-8
Munich	cloudy	1
Nairobi	fair	25
Naples	shower	13
Nassau	fair	27
New York	sleet	3
Nice	fair	14
Nicosia	fair	15
Oslo	fair	-3
Paris	cloudy	6
Perth	shower	24
Prague	rain	2
Rangoon	sun	31
Reykjavik	fair	0
Rio	cloudy	28
Rome	fair	13
S. Frsco	fair	13
Seoul	fair	4
Singapore	rain	31
Stockholm	cloudy	-5
Strasbourg	fog	3
Sydney	fair	24
Tangier	rain	18
Tel Aviv	fair	18
Tokyo	fair	9
Toronto	snow	-8
Vancouver	cloudy	7
Venice	shower	9
Vienna	cloudy	2
Warsaw	snow	-2
Washington	sleet	4
Wellington	fair	17
Winnipeg	fair	-9
Zurich	cloudy	2

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 19 1995

IN BRIEF

Dutch partners to develop chip card

PTT Telecom, the Dutch telecommunications company, has joined forces with ING Group, the financial services group, to develop a "multi-functional" chip card which can be used to make telephone calls, execute banking transactions or pay for purchases in shops. Page 16

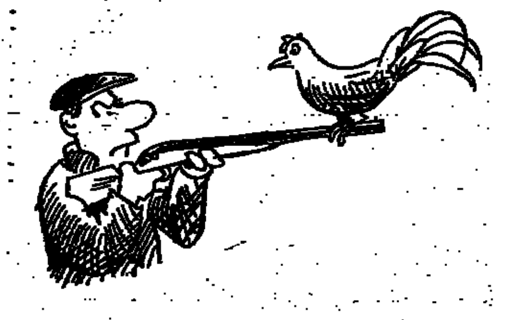
Servier buys 51% of Hungary drugs group
Servier, the privately-held French pharmaceutical company, said it had formed a strategic alliance with, and acquired a 51 per cent stake in, Egis, a leading Hungarian pharmaceutical producer. Page 16

Underperformance dogs HK China index
The index of Hong Kong-listed China enterprises has sharply underperformed the Hong Kong stock market benchmark index, the Hang Seng Index, this year. The bearish sentiment towards the Hang Seng China Enterprises Index, which intensified in October and November, was prompted by a mix of old and new problems. Page 17

O&Y to split US property holdings
The final unravelling of Olympia & York, once the world's biggest property developer, is likely to be set in train tomorrow with the adoption of a plan to carve up the group's remaining US holdings. Page 18

Cadbury buys Canadian group for C$225m
Cadbury Schweppes has agreed to buy Neilson Cadbury, Canada's largest chocolate confectionery maker, for C$225m (US$164m) in a deal that takes the UK soft drink and confectionery group back into Canadian manufacturing, an activity it quit in 1987. *Page 20*

Profit proves an elusive quarry on the shoot



When winter comes and work is done there are few more rustic pastimes than a day's shooting, rounded off with a brace of birds for the table. But the rewards are mostly culinary – while a game dealer may charge about £7 ($11) for a brace of plucked and dressed pheasants, the cost of rearing a single bird is reckoned to be about £11. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hochtief	616	+	16
Wella	725	+	10
Falls			
Aachen Mch	1000	–	25
Asko Prf	630	–	40
Henkel	541	–	12
SAP	228.3	–	13.2
NEW YORK ($)			
Rises			
Adv Health	45¾	+	8⅛
Hewlett-Packard	77⅞	+	2
Falls			
James River	27¼	–	4⅛
Netcom On-Line	45½	–	6¾
Remedy	57¼	–	7½
Staris	31	–	11¼
LONDON (Pence)			
Rises			
Br Biotech	1720	+	112
Northern Elec	610	+	22
Falls			
Bk Scotland	284½	–	22
Filtronic-Cmtk	410	–	42
Forward Grp	638	–	37
Telspec	842	–	44
TORONTO (C$)			
Falls			
Biovail	83	–	5
Dekina	32¼	–	2¼
Euro-Nevada	48¾	–	3½
Hummingbird	50½	–	7
Softkey Software	34½	–	5⅝
Spectral Diag	12	–	2½

PARIS (FFr)			
Falls			
Accor	624	–	27
Cred Lyon	281	–	14
GTM-Entrepose	320	–	17.8
Nav Mixte	658	–	24
St Gobain	629	–	28
Soc Generale	581	–	27
TOKYO (Yen)			
Rises			
Sumitomo Bk	2160	+	20
Falls			
Fujitsu	1150	–	30
Kitz	400	–	85
Kyocera	7540	–	110
Mitsubishi Est	1240	–	30
NEC	1220	–	20
HONG KONG (HK$)			
Rises			
Dah Hwa	9.85	+	0.6
Falls			
China Motor	62.75	–	1.2
HSBC	115	–	1
Hang Seng Bk	68.25	–	0.5
SAS Dragon	4.85	–	0.8
Sun Hung Kai	59.25	–	1
BANGKOK (Baht)			
Rises			
Bangkok Ins	390	+	20
Univentures	128	+	8
Falls			
Advanced Info	490	–	14
Intl Cosmetics	216	–	14
PCM Precast	97	–	10
Siam Cement	1512	–	12

New York & Toronto prices at 12.30.

Pechiney falls sharply below issue price

By John Ridding in Paris

Shares in Pechiney fell sharply below their issue price on the first day of trading yesterday, dealing a blow to investors in the aluminium and packaging company and a setback to the French government's privatisation programme.

Trading in Pechiney was delayed by almost three hours as the Paris bourse suffered technical problems linked to large dealing orders in the company's shares. The first price quoted was FFr180, compared with an issue price of FFr187.

Pechiney shares then slipped to close at FFr175.1, more than 6 per cent below the offer price. In New York, the fall was steeper, with shares trading almost 7 per cent below their issue level.

Not since the 1987 sale of Suez, the industrial and financial holding company, has a French privatisation issue opened below its public offer price. Although many analysts had predicted a difficult debut for Pechiney, given adverse market conditions and the complexity of the sale, yesterday's trading compounded concerns about investor support for privatisations.

"This is very embarrassing for the government and will cast a cloud over future sales," said one market analyst. "The issue was scaled down because of poor demand, the price was at the bottom of the guideline range and still the shares took a beating."

Market observers said underwriting banks, including Société Générale, BNP and Goldman Sachs, sought to limit the fall by buying shares in line with a stability pact. They said further falls in the share price could complicate the exchange of non-voting investment certificates for Pechiney shares and of shares in Pechiney International, the group's packaging arm, for a holding in the parent company. Both operations are part of the complex privatisation issue, which includes a FFr2.4bn ($490m) capital increase.

French officials dismissed the threat to the exchange issues and sought to put a brave face on Pechiney's debut. They argued that other European privatisation issues, such as Eni of Italy, had seen difficult launches. They also pointed to the poor performance of the Paris stock market, which saw the CAC-40 index of leading shares fall 2 per cent yesterday, and uncertainty created by a wave of public sector strikes in France. "You cannot judge the issue in a few hours' trading, you have to give time for the issue to settle," said one official. "Pechiney is a strong, attractive company."

Although investors have welcomed the restructuring measures and asset sales implemented by Mr Jean-Pierre Rodier, Pechiney chairman, they were deterred by the downturn in the aluminium market and the poor performance of previous privatisation issues. "They are fed up of being burned," said one broker, referring to the fact that most privatisation issues are trading below their issue price.

The weak demand from investors, notably from French institutions, has raised doubts about whether the momentum of the privatisation drive can be maintained. Mr Jean Arthuis, finance minister, is aiming to achieve receipts of FFr40bn in 1996 from the sale of public sector assets. This is about double receipts for 1995, taking into account the FFr4bn due to be raised from Pechiney.

Shareholders vote tomorrow on a tie-up between RTZ and CRA

Marriage of the miners poised to win a blessing

The world's largest mining company will come a step closer to creation tomorrow if shareholders vote for a tie-up between RTZ of the UK and CRA, its 49 per cent-owned Australian affiliate.

Despite an 11th-hour hitch by the Australian government – and some grumbling by Australian shareholders over the terms – the indications are that the vote will be positive. This will enable the two companies to proceed with their plan to merge their operations, but retain separate stock exchange listings, mainly for tax reasons. Only a few other "dual listed companies" (DLCs) exist, notably Shell and Unilever.

The Australian government has imposed two conditions: that at least one third of the combined group's directors be Australian, and that CRA be given control of operations in Latin America, which belong mainly to RTZ.

Analysts say the two companies should be able to live with the first restriction; seven of the 20 directors are already Australians. The latter is more problematic, as it will have little meaning once management and assets have been merged into the DLC. Efforts to set up a meeting with the federal treasurer are under way, with a date possible this week.

None of this has helped shareholders, who have already had to wade their way through a 354-page offer document to make up their minds about the deal.

RTZ has made no secret of the fact that the DLC route avoids the need for a takeover – and therefore payment of a premium for control of CRA. Some analysts have criticised this as "a deal on the cheap".

In the absence of a takeover premium, the relative valuations put on the two groups become all-important. RTZ has a lower stock market rating than CRA, mainly because mining stocks are less prized in London than in Australia. To compensate for this, CRA will make a bonus issue to its shareholders once the deal has been approved.

CRA's independent advisers, Morgan Stanley, opined that this arrangement was "fair and reasonable". But some Australian CRA investors pointed out that Morgan Stanley signed off on its fairness report despite the fact that RTZ declined to provide unrestricted information on development and exploration properties. After discussions with the companies, some institutions seem to have been pacified, but a degree of concern lingers.

However, CRA arguably stands to benefit in other ways: by gaining access to RTZ's larger balance sheet and its more substantial worldwide mining operations. CRA's earnings per share will also be enhanced.

A third reservation is whether professional investors stand to gain from the new arrangement. At present, the mining portfolios of the two companies are distinct. CRA has a weighting towards steel-making commodities, such as coal, iron ore and aluminium. RTZ is exposed to these, partly through its stake in CRA, but has a much larger presence in copper.

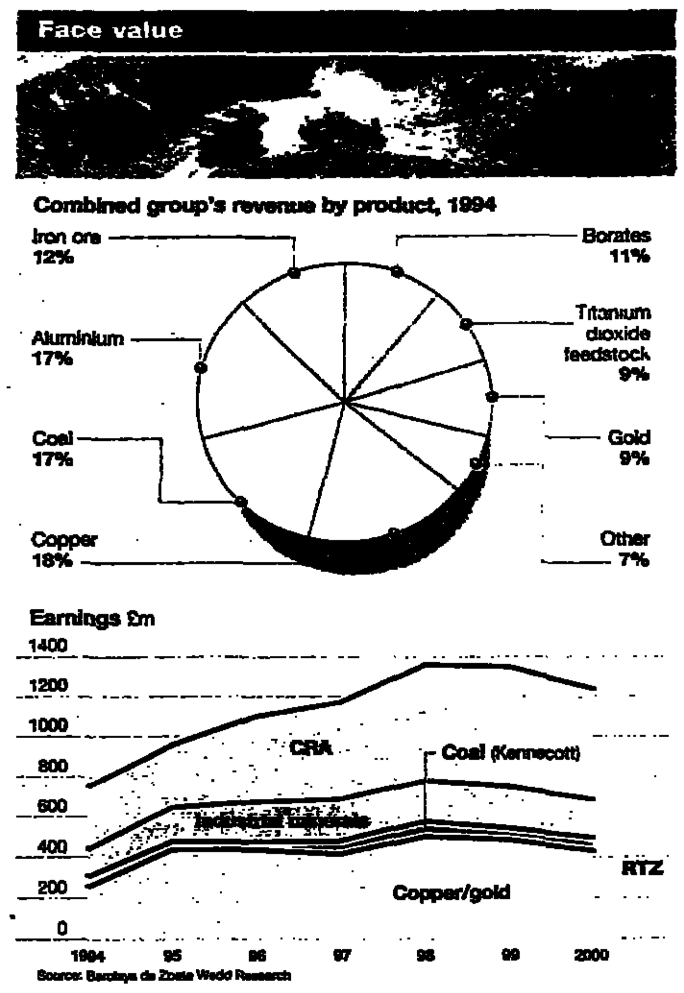
Once the operations merge, the concern is that RTZ-CRA will have such a diversified portfolio that it will simply perform in line with average world growth rates. Meanwhile, holders of CRA shares will have lost their play between these two portfolios. "It's a question of who can diversify the risks better – us or them," says one fund manager.

Some shareholders have also complained about lack of detail on corporate structure. Requests for elaboration on who will manage what parts of the business have been met with assurances that the decentralised nature of both RTZ and CRA means that little will change. However, Mr John Uhrig, CRA's chairman, has indicated that the 20-man board will be slimmed down over time.

While some CRA shareholders may be uneasy, they have to consider the alternative to a merger with RTZ. As a smaller company with more limited prospects, CRA could become a duller investment. Mr Nick Hatch, mining analyst at Ord Minnett, warns that CRA could be "marginalised" by a "no" vote because of the lack of growth opportunities in its home territory.

Mr Steve Oke, mining analyst at Merrill Lynch, says the deal "is reasonably fair for both sides". A successful mining company needs low costs, a strong balance sheet and a diverse portfolio, he says, and these are what CRA will derive from the merger.

David Lascelles and Nikki Tait



Kvaerner defeated in bid to take over Amec

By Andrew Taylor, Construction Correspondent

Kvaerner, the Norwegian shipbuilding group, was yesterday heavily defeated in its bid to take over Amec, the UK construction group, for £360m ($569m).

Having bought 26.1 per cent of the ordinary shares of the company during the bid, it received support from holders of shares worth another 10.4 per cent. This left it well short of the 50 per cent needed to secure victory.

Kvaerner gave no indication about what it would do with its shareholding. The company had warned over the weekend that it might sell its stake and pursue other options if the bid failed.

Mr Erik Tonseth, Kvaerner chief executive, said: "We will consider all options. We are disappointed that the majority of shareholders put a higher value on Amec's share than we did. I hope the shareholders are right. It will be good for our investment."

Institutional shareholders believe it unlikely that Kvaerner will sell large amounts of stock immediately, as this would prompt a share price fall and reduce the value of the company's investment.

Although disappointed with Amec's recent poor record, fund managers were persuaded by Amec's arguments that the 100p a share offer undervalued its potential for recovery.

Some institutions were also irritated by Kvaerner's tactics of making its first offer final. This allowed it no opportunity to increase terms and reduced the timetable to just 21 days instead of the normal 60. One fund manager said: "The price was too low. We also objected to being railroaded. Amec, however, has to deliver its promised recovery, or there is going to be a lot of angry shareholders."

Amec's shares, which had been trading at 78p before the bid approach, fell 3p to 93p yesterday ahead of Kvaerner's admission of defeat which was made after the London market had closed.

The takeover battle was at times acrimonious prompting Takeover Panel rebukes, threats of legal action by Kvaerner and the intervention of a senior Indonesian government minister supporting the UK group's defence.

Lex, Page 14; Satellite venture, Page 18

AMD says weak demand will dent profits

By Lisa Bransten in New York

Advanced Micro Devices, the fourth largest US chipmaker, warned yesterday that fourth-quarter earnings would fall short of the $56.2m it made in the third quarter of this year because of weak demand for one of its chips.

Although analysts said AMD's news was specific to its operations and not tied to overall demand for chips, it followed negative news last Thursday from semiconductor maker Micron Technology and sent jitters through the sector. At midsession the technology-rich Nasdaq composite fell 24.51 or 2.4 per cent to 1,005.97.

AMD makes microprocessors that serve as the engines in personal computers, while Micron's primary products are dynamic random access memory (D-Ram) chips that hold the computer's memory.

Chip stocks have tumbled since mid-September on fears that demand was not as high as was thought over the summer when share prices began a sharp rally. AMD shares, which trade on the New York Stock Exchange, have lost nearly 50 per cent of their value and yesterday were off another $1⅛ at $16⅞ in early trading.

The company attributed the decline in profits to weak demand for its 486 microprocessors – which are a generation behind Intel's Pentium chip – because Intel was exiting the 486 market more slowly than expected. Fourth-quarter revenues should be higher than those of the third quarter, the company said, but the increase would not be enough to offset start-up and depreciation costs from a new factory in Austin, Texas.

Mr Tom Thornhill, an analyst at Montgomery Securities, said the underlying problem for AMD was tied to its failure to move quickly to develop a chip to compete with the Pentium.

AMD expected to begin shipping such a chip late in the first quarter of next year.

Mr Drew Peck, an analyst at Cowen & Co, said he never thought the demand for semiconductors was as robust as it appeared during the summer and that it might not be as weak as it now appeared. He said that while there might be some more downside in both D-Rams and microprocessors, microprocessors should rebound by the second half of next year.

Firm's 'dawn raid' leads to dearth in the afternoon

By Tom Burns in Madrid

The sedate rivalries of the international auditing community have drawn blood in Spain. More than 90 members of Coopers & Lybrand have moved across the street in Madrid to join Ernst & Young and it is hard to establish a fair and true view of the dust-up.

Ernst & Young in Spain said it had asked headhunters to find a replacement for the senior partner managing its consultancy unit who was returning to the US. Last month the firm recruited Mr Ramón Magarzo, head of Coopers & Lybrand's Madrid-based consultancy division. Mr Magarzo, to Ernst & Young's delight, brought his team with him.

It was a considerable team. Along with Mr Magarzo came five senior partners specialising in information technology and human resources, 80 intermediate professionals who reported to them and five secretaries. Ernst & Young is renting a floor in the 47-storey Picasso tower where it is headquartered in order to house the influx.

According to Coopers, Ernst & Young mounted a "dawn raid" that had been hatched in camera for a considerable period of time. Coopers has filed a civil action in a Madrid court alleging unfair competition and is hoping the judge will this week serve an injunction ordering its former partners to serve out their terms of notice.

Ernst & Young has countered by instructing its lawyers to prepare legal action to defend the firm's reputation. It said attempts by Coopers to retain its former employees were an "undeclared form of slave labour".

In the meantime Coopers, which has lost about one third of its consultancy strength in Spain, has drafted in Spanish-speaking staffers from elsewhere in Europe to reassure clients. It claims its consultancy revenues could drop by 5 per cent and that it has already lost to Ernst & Young a high fee contract to advise Spain's national airports authority.

The development is viewed as unprecedented in the industry and one that could not have occurred in the US or the UK where the courts would have acted swiftly to prevent a breach of contract by partners. One insider said it reflected the cut-throat nature of the consultancy business in Spain and "a pervading sense that anything goes".

"This has been a most extraordinary knock for Coopers," a veteran international accountant in Spain said yesterday. "Ernst & Young were very weak on the consultancy side and now, at a stroke, they've got an entire unit, hand-picked and made to measure, that Coopers had spent years building up."

Coopers, which only recently overtook Ernst & Young in total revenues to become the third ranked auditing and consultancy firm in Spain behind Arthur Andersen and Price Waterhouse, is expected to earn about Pta2.6bn ($21m) this year from its consultancy unit. Ernst & Young is estimated to post a consultancy turnover this year of about Pta885m.

EUROPEAN NEWS DIGEST

Vebacom plans fibre optic network

Vebacom, the telecoms subsidiary of Germany's Veba industrial conglomerate, said it would spend DM400m ($287m) by 2000 laying a 3,900km fibre optic telecoms network along the railway tracks operated by Deutsche Bahn, the federal railway system. The deal gives Veba another important asset in its effort to build a telecoms service to compete with Deutsche Telekom, the state-owned operator, once services are liberalised in 1998. The network will also be available to other operators after 1998. PreussenElektra, the electricity utility owned by Veba, already has about 2,500km of fibre optic cable as part of electricity grid, but Vebacom said yesterday it was unclear whether the two networks would necessarily be linked. The DB network is more attractive as it goes to the centre of every large German city. *Michael Lindemann, Bonn*

Lauritzen in DKr500m provision

J. Lauritzen, the Danish shipping and industrial group, will make a DKr500m ($89.38m) provision to cover losses by Danyard, its shipbuilding unit, which has fallen behind on delivery of the first of a series of seven chemical carriers for the Stolt Nielsen company of the US. "The board will discuss the overall situation in the coming months with a view to assuring the necessary consolidation of the group," the company said, adding that plans to seek a stock exchange listing for several of its subsidiaries will be postponed for the time being.

Danyard is expected to make a DKr300m loss in 1995, three times the loss forecast at the end of October. The group said it would cover this and further losses expected in 1996 and 1997 by making a total provision of DKr500m, but that if the yard was not able to conclude profitable contracts, the alternative was gradual closure. The group, with an annual turnover of about DKr15bn, reported total equity capital of DKr3.79bn and total assets of DKr12.55bn at the end of the first half this year. *Hilary Barnes, Copenhagen*

Germans win $700m ships deal

Meyer Werft, the German family-owned shipyard founded in 1795, yesterday said it had won an order worth $700m for two new cruise ships, bringing its order book to its highest-ever level. Star Cruise, a subsidiary of Singapore-based Genting International, has ordered two 75,000-tonne ships. With a maximum speed of 24 knots, they are among the fastest cruise ships, the company said. *Michael Lindemann, Bonn*

■ Orkla, the Swedish group, said its brewing and soft drinks joint venture with Volvo, Pripps Ringnes, agreed with Coca-Cola of the US to reopen talks on the Swedish Coca-Cola licence which was withdrawn last month. *AFX News, Stockholm*

■ Iberia, the troubled Spanish airline, expects its 1995 parent net loss to widen to Pta47bn ($382m) from Pta41.5bn a year earlier. *AFX News, Madrid*

■ Bilfinger & Berger, the German construction group, said its total construction output rose 12 per cent in 1995 from DM7.6bn ($5.26) to more than DM8.5bn. But it warned exceptionally high earnings of last year could not be matched this year because of difficult market conditions. *AFX News, Mannheim*

■ Mr Jacques Calvet, chairman of Peugeot, the French automotive group, said he expected European car sales would rise between 2 per cent and 2.5 per cent next year, but that the French car market was likely to remain flat. He added that he expected 1995 European sales not to exceed 1994 volumes. Industry sources have been forecasting a rise of between 3 per cent and 4 per cent. *AFX News, Paris*

Dutch to launch 'multifunctional' chip card venture

By Ronald van de Krol in Amsterdam

PTT Telecom, the Dutch telecommunications company, has joined forces with ING, the financial services group, to develop a "multifunctional" chip card which can be used to make telephone calls, execute banking transactions or pay for purchases in shops.

The initiative, announced yesterday to the surprise of the rest of the Dutch banking community, is expected to result in the issue of the first multifunctional chip card in October 1996.

The cards will be capable of being "loaded" with money at post offices, telephone booths and, eventually, at home through a new type of telephone or a special attachment to existing telephones. Money put on the card will be debited from a customer's bank account.

The 50:50 venture brings together PTT Telecom, which owns more than 7m phone lines in the Netherlands, with an ING subsidiary, Postbank, which has more than 6m account holders and operates out of Dutch post offices. The Netherlands has a population of more than 15m.

"Our reach is such that together we have access to practically every household in the Netherlands, one way or another," Mr Ben Verwaayen, president of PTT Telecom, said. Each partner will invest "several tens of millions" of guilders in the venture over the next year.

Banks in a number of countries are running trials on the use of smart cards. But the two Dutch partners said their approach, combining banking, telecommunications and retail, has never been tried on this scale in Europe and possibly beyond.

Mr Verwaayen said the plans were not presented first to other Dutch banks, although he emphasised it was specially designed to be an open system so that other banks as well as retail groups would be encouraged to take part. They would then be licensed, for a fee, by PTT Telecom and Postbank.

He said the rapid pace of technological advances meant there had been no attempt to foster the usual consensus that tends to exist among Dutch companies when new standards are introduced. "The speed to market was all-important," he said.

ABN Amro, the Netherlands' largest bank, said it was studying yesterday's announcement but declined further comment.

In late October, the country's banks, including Postbank, began introducing what is called in Dutch a "Chipknip", or electronic purse, in Arnhem. This project, less ambitious than plans by PTT Telecom and Postbank, is expected to be expanded nationwide later.

Aérospatiale and Dasa to pool satellite and missile activities

By David Buchan in Paris and Michael Lindemann in Bonn

Aérospatiale of France and Daimler-Benz Aerospace (Dasa) yesterday announced that they had signed an agreement to pool all their satellite and missile activities into two joint companies, which would start operating by next summer.

Mr Louis Gallois, chairman of Aérospatiale, and Dr Manfred Bischoff, chairman of Dasa, said the move was "of the utmost importance for Europe's industrial and technological capacity".

The deal also takes further a form of gradual privatisation for state-owned Aérospatiale, which is placing more of its activities in companies held jointly with the privately-owned Dasa.

The 50:50 satellite joint venture, called European Satellite Industries, will be run by a German president, a French co-president, and have its headquarters in Munich, with its German subsidiary in Friedrichshafen and its French subsidiary near Cannes.

Aérospatiale and Dasa already co-operate in Airbus and Arianespace, and make helicopters together with their Eurocopter joint company. But this is the first of their ventures with a headquarters in Germany, which has stirred up complaints from unions at Aérospatiale's Cannes plant.

Partly to offset this, Aérospatiale wanted to couple creation of ESI with that of the joint missile company, European Missile Systems. This will have its headquarters in the Paris region and be run by a French president and German co-president. It will take over the activities of Euromissile, set up by Aérospatiale and Dasa in 1972 to build three types of missile, and will include all of the two companies' other missiles, except those which carry France's nuclear weapons.

Satellites and tactical, non-nuclear missiles accounted for, respectively, 5.8 and 10.2 per cent of Aérospatiale's turnover last year. It already makes aircraft, which account for 40 per cent of its turnover, with Dasa and Italian and UK partners. Aérospatiale is on the French government's privatisation list, although in no financial state yet to be floated publicly.

Mr Gallois is pushing the French government for a FFr10bn ($2.01bn) capital increase, and has suggested that if the government cannot come up with this sum, it should allow Aérospatiale's capital to be opened up to outside investors such as Dasa.

Mr Bischoff said the two new companies were another step to creating a common European defence market from which European companies could benefit in the same way that their US competitors have always benefitted from a single US market.

Mediaset seeks L500bn from banks

By Andrew Hill in Milan

A pool of Italian banks has been asked to invest up to L500bn ($313m) in Mediaset, the television company controlled by Mr Silvio Berlusconi, as a prelude to a full stock market flotation in 1996.

IMI, the Italian banking group, and Morgan Stanley of the US are co-ordinating the sale of shares in Mediaset, which is controlled by Mr Berlusconi's Fininvest group.

Yesterday, IMI said it had asked six banks to reply by Friday to an invitation to invest in the company. They should buy the shares, which would amount to between 6 and 8 per cent of Mediaset's capital, by the end of the year.

IMI has already agreed to invest L100bn and to underwrite L250bn of next year's increase in capital, which should lead to the listing of Mediaset shares in Milan and New York by next summer.

The banks which have been asked to take part in the latest move are Banca Commerciale Italiana, Banca di Roma, Cariplo, Monte dei Paschi di Siena, San Paolo di Torino and Banca Nazionale del Lavoro.

Earlier this year a group of international investors headed by Kirch, the German media group, paid L1,247bn for a minority stake in Mediaset.

Fininvest is still searching for a telecommunications partner to invest alongside Kirch and the other strategic shareholders, Richemont, the Swiss-based company controlled by the Rupert family of South Africa, and Prince al-Waleed bin Talal bin Abdul of Saudi Arabia.

The principal motivation for the sale of shares in Mediaset is to reduce the conflict of interest between the business activities of Mr Berlusconi and his ambition to return to high political office after his short period as prime minister last year.

But the sale itself has been fraught with controversy.

Silvio Berlusconi: seeking way back to high office

Politicians on the left have criticised proposals for an amendment in the 1996 budget which they believe would have provided tax breaks for next year's planned capital increase and flotation of Mediaset.

The fact that a number of public-sector banks are involved in the next phase of the flotation has also raised doubts about the operation.

Mr Ubaldo Livolsi, Fininvest financial director, said the sale of a further stake in Mediaset by the end of the year should reduce the whole group's debt to around L1,000bn following the sale of stakes in other group companies.

Mediaset is expected to return a net profit of more than L400bn in 1995.

See Lex

Servier buys 51% of Hungarian group

By Virginia Marsh in Budapest and Daniel Green in London

Servier, the privately-held French pharmaceutical company, has formed a strategic alliance with, and bought a 51 per cent stake in Egis, a leading Hungarian pharmaceuticals producer.

It acquired the stake from the European Bank for Reconstruction and Development and NatWest Securities.

The value of the deal was not disclosed. But Egis's closing price on Friday, the last day of trading, was Ft3,275, giving the company a market capitalisation of $184m. The EBRD said the selling price reflected the share price as well as a premium for the sale of a controlling stake.

Egis, a former state-owned company, is the leader on the local pharmaceutical market with a share of 13 per cent in 1994. It also supplies other central and eastern European markets. Exports accounted for 44 per cent of sales last year. Its net profit was Ft3.8bn ($31m) on turnover of Ft14.4bn at the nine-month stage this year.

A 30 per cent stake in Egis was sold to EBRD for $45m in 1993 and the company went public in June 1994. NatWest Securities acquired the state's remaining 28 per cent stake in August at about Ft2,550 a share. NatWest Corporate Finance advised on the sale.

The comes less than a week after a $110m offer for Pharmavit, another Hungarian pharmaceuticals company, by Bristol-Myers Squibb of the US. It also follows the recent sale of a 78 per cent stake in Biogal, another local pharmaceuticals company, to Teva of Israel for $26m. Sanofi of France holds a majority stake in Chinoin, another local producer, while Richter Gedeon, the country's largest pharmaceuticals company, has been sold to financial and domestic investors.

INTERNATIONAL COMPANIES AND FINANCE

Little cheer for H-share investors

When the index tracking the performance of H-shares, or Hong Kong-listed China enterprises, tumbled to 746 points earlier this year, Mr Miles Remington, a salesman with Crosby Securities, asked himself how much further it could fall. "About 746 points", he concluded.

In the event it did not happen. The Hang Seng China Enterprises Index hit a low of 684.85 on November 16 and closed yesterday at 739.44, still a far cry from the 2,1276.90 recorded last December and continuing to underperform sharply the Hong Kong stock market benchmark index, the Hang Seng Index.

This year's bearish sentiment, which intensified in October and November, was due to a mix of old and new problems. China's credit tightening policies, which have been in effect since 1993, continued to erode sales and profits in most sectors. One aspect of this, triangular debt – where company B is unable to pay company C because it is still owed money by company A – is still haunting the H-share companies, although newer concerns have pushed that issue out of the spotlight.

However, the China government has dealt a series of blows to H-share companies as it strives to create level playing fields for all companies and to enhance its prospects for joining the World Trade Organisation. China may scrap its preferential tax rate for H-share companies, stop interest rate subsidies and cut import tariffs, clearing the way for increased competition in a number of industries.

There is still much confusion and uncertainty over timing of the policy changes, but investors have been sufficiently worried to dump shares, and analysts are having a tough time finding much to be positive about. Says one China analyst at Jardine Fleming Securities: "We've got different officials giving their different versions of what the tax situation will be, and investors have decided to expect the worst."

Many H-share investors have already witnessed large falls in earnings this year. The semi-official China Securities News newspaper has said that the 17 H-share companies will suffer a drop in earnings of 12 per cent to 21 per cent as Beijing moves to exact a unified rate of 33 per cent income tax from domestic and foreign finance companies alike. The first H-share companies to list are paying just 15 per cent; the latest, the full 33 per cent.

Seapower Securities, a Hong Kong based brokerage, further calculates a decrease of between 2 per cent and 7 per cent in earnings from the cancellation of value added tax rebates - again, a move without a firm date but expected to take effect during the first quarter of 1996. The corporate tax changes are likely to come in to effect gradually, and a grace period of one to two years is expected.

Then there is the question of tariffs. China's President Jiang Zemin last month pledged substantial tariff cuts on more than 4,000 items – yet to be specified – as part of the country's attempt to liberalise trade and join the WTO.

Seapower Securities China analyst Ms Rachel Tsang says the same masterplan is behind a move which she reckons will bring "a little cheer" to H-share companies this year: namely, proposals to sweeten joint ventures, possibly by offering subsidies. The most obvious beneficiary of this policy, she says, is Qingling Motors, which has joint ventures and increasing funds from Japanese companies.

Elsewhere, brokers are hard-pressed to recommend buying H-shares in the near term – that is, before the People's Congress meeting early next year, at which more detail should be put on the policy changes, or even before the

companies announce their annual results in March/April.

Jardine Fleming flouts the popular belief that petrochemical companies (which last year posted the most impressive results) are attractive, claiming that the sector is on a downwards earnings trend because of squeezed margins – prices have come down and the cost of production is going up.

Old stalwarts, such as Tsingtao Brewery, the pioneering H-share issue whose HK$763.3m public offering was 110.5 times oversubscribed, have fallen out of favour: Tsingtao is losing market share in China (now estimated at 2.7 per cent from 3 per cent) and analysts are questioning management strategy.

Instead, Jardine Fleming singles out Northeast Electric Transmission and Transformation Equipment (Nette) and Chengdu Telecommunications Cable, two equipment suppliers with reasonable earnings growth prospects and relatively attractive price earnings multiples.

According to the brokerage's calculations, the China Enterprises Index is on a p/e of 7.7 times 1995 earnings, compared with a multiple of 12.5 times for the market as a whole. Nette is on a p/e of 6.6 times 1995 earnings.

However, both Nette and Chengdu, as well as Qingling, are among the smaller H-share companies in terms of market capitalisation. The big ones, mainly heavy industry players, are seen as more direct plays on China's austerity drive – and until this is relaxed, their outlook remains murky.

The Jardine Fleming analyst says: "Initially, the expectations were that the austerity measures would be lifted at the beginning of next year. That still seems to be the case, but the market consensus now is that the lifting will be one, gradual and two, selective.

"Therefore we will not see the H shares, which are mainly in the heavy industries, benefit in the short term; that is, probably not until the second quarter of the year."

The next indicator of sentiment on the sector, however, may well come much sooner. On Thursday shares in Founder (Hong Kong), the holding company for an electronic publishing systems supplier run by professors from Beijing University, start trading. Founder, which is only the third China enterprise to list in Hong Kong this year – reflecting the equally turgid state of the primary market for mainland offerings – is not strictly an H-share in that it is floating through a Hong Kong-incorporated vehicle, despite having received approval from Beijing to list shares abroad.

Nonetheless, investors will be looking to the performance of the shares to gauge which way the wind is likely to blow for China companies in 1996. Based on recent recollections – the abrupt pulling of a proposed H-share issue last month by Guangdong Fotao, a ceramics maker, and the hefty undersubscription for mainland health and tonic drinks group Apollo (the HK$300m issue launched earlier this month was only 22 per cent subscribed), investors will find little to cheer about.

Louise Lucas

Ampolex sells Lufeng oil interest to Statoil

By Nikki Tait in Sydney

Ampolex, the Australian oil and gas group, is selling the subsidiary which owns its interest in the Lufeng oil field, in the South China Sea, to Statoil, the Norwegian national oil company.

Ampolex, which had previously flagged a possible reduction of its stake in Lufeng, said the decision not to participate in the field's development was based on "strategic considerations".

Statoil was said to see Lufeng as part of a "larger more comprehensive plan to expand business interests in China and the Asia-Pacific region."

The oil field is located about 250km south-east of Hong Kong, and Ampolex has been actively negotiating "improved" tax treatment terms for the field. It has already formulated a development plan.

Under the deal, the Australian company will receive a cash payment for the asset, the size of which was not specified.

Depending on the amount of the final consideration, Ampolex will write off its remaining capitalised exploration and pre-development expenditure in China. The write-off is likely to be between A$6.7m and A$14.4m (US$5m-$10.8m), and will be treated as an abnormal item.

BHP in A$583m bid for rest of Tubemakers

By Nikki Tait

Broken Hill Proprietary, Australia's largest company, yesterday launched a A$583m (US$432.6m) bid for the 51.5 per cent of Tubemakers, the listed heavy engineering group, which it does not already own.

It said it believed Tubemakers, whose business is split between structural engineering and products for fluid conveyance used in the water, energy and mining and rural industries, would have better long-term prospects as a wholly-owned part of the BHP group.

The bid is pitched at A$4.05 a share, and is conditional on enough acceptances being received to enable BHP to compulsorily acquire the balance of the outstanding shares. BHP said Sumitomo, the Japanese group, had indicated it would accept in respect of its 19.8 per cent holding.

Tubemakers saw operating profits rise from A$101.8m in 1993-94 to A$129.5m last year, but two months ago warned of a small profits fall in the first quarter of the current year.

Tubemakers said that it was appointing an independent committee to advise on the bid.

Earlier this month, BHP made a US$1.8bn offer for Magma Copper in the US, although with the assumption of debt the effective value of the offer is US$2.4bn.

INTERNATIONAL COMPANIES AND FINANCE

O&Y's property portfolio in US set to be split up

By Richard Waters in New York

The final unravelling of Olympia & York, once the world's biggest property developer, is likely to be set in train tomorrow with the adoption of a plan to carve up the group's remaining US holdings.

If approved, the deal would give Toronto's Bronfman family control of Manhattan's landmark World Financial Center, the late-1980s development which is home to a large part of New York's securities industry.

A group of investors led by Mr Leon Black, one of New York's most active "vulture" investors, would be left with three of the 10 US office buildings still owned by O&Y.

The carve-up of the US property portfolio would in effect end any continuing involvement by Mr Paul Reichmann, O&Y's founder. Through the World Financial Center and Canary Wharf in London, Mr Reichmann was responsible for some of the most ambitious property developments of the 1980s.

The Reichmann family's 20 per cent equity stake "will be diluted down to *de minimis* numbers" if the deal is approved by the board of O&Y (USA), a person familiar with the proposed restructuring said. This contrasts with Canary Wharf, where Mr Reichmann recently led a financial reorganisation.

O&Y was brought down by Canary Wharf, its ambitious east London complex, which ran into a cash crisis in 1992, forcing the Canadian parent to file for bankruptcy.

The group's US arm, with one of New York's biggest commercial property portfolios, succeeded in staying out of the bankruptcy courts until two months ago. At that stage, it sought bankruptcy to try to force its two warring investor groups to reach a compromise.

One group, led by the Bronfmans and including the Hong Kong investor Mr Li Ka-shing, Citibank and Canadian Imperial Bank of Commerce, had one-third of the equity in the World Financial Center and a substantial proportion of the group's bank debt.

The other, known as the Apollo group and involving Mr Black and Mr Tishman Speyer, a New York property developer, assumed an important role in the reorganisation by buying bonds secured on separate O&Y properties after the group's initial financial debacle.

Under the proposed restructuring, "the two parties are going to swap some debt and other obligations" to disentangle their interests, a person with knowledge of the deal said.

Along with the 6m sq ft World Financial Center, the Bronfman group would assume four other buildings with about 5.5m sq ft of space. The Apollo group would be left with three buildings with a total of almost 4m sq ft of space. Other US properties controlled by O&Y have been sold off or handed over to their creditors.

Satellite venture wins contract from Hughes

By Christopher Parkes in Los Angeles

A five-nation joint venture set up to blast satellites into space from an ocean-going platform has won an important contract for at least 10 launches from Hughes Space and Communication, the Los Angeles satellite maker.

Sea Launch is a Boeing-led consortium which embraces the shipyard facilities of Kvaerner, the Norwegian shipbuilding and engineering group, in Norway and Scotland; Zenit rocket maker NPO-Yuzhnoye of Ukraine; and the Russian space systems specialist, RSC-Energia. It plans to launch its first satellite in 1998.

The $500m venture, tentatively announced last April, is expected to proceed at speed following the signing of the Hughes contract, which had been held up pending renegotiation in Washington of import quotas for the two-stage Zenit rockets, which was completed last week.

"There are no show-stoppers now," Boeing said, although Russia still represented a political risk, and the local authority responsible for Sea Launch's prospective land-base at Long Beach had yet to approve a lease.

The project's launch order – financial details are secret – includes an unspecified number of options, and triggered a series of instructions from project leader Boeing's base in Seattle. Kvaerner Rosenberg in Norway was ordered to start converting a 31,000-ton former oil rig into a sea-going launch platform. Hughes, part of the General Motors group, is understood to be planning to hire a further 1,000 workers for its El Segundo satellite works, near Los Angeles.

AMERICAS NEWS DIGEST

US phone groups silent on merger talk

Nynex and Bell Atlantic, the two US local phone companies which between them cover the Atlantic seaboard from Maine to Virginia, refused to comment yesterday on renewed reports they were planning to merge. The two have a combined market value of $51bn. Rumours of an alliance have circulated in the US telephone industry for months. The companies have adjoining territories, with Nynex based outside New York and Bell Atlantic in Philadelphia.

There has been talk of their moving closer together since they agreed last year to put their cellular phone operations into a joint venture. Industry sources confirmed yesterday that a decision was not expected until the passing of the telecommunications bill, expected at the turn of the year. This will allow local phone companies to compete in the long distance market.

At present, there is nothing in law to prevent the two companies *merging*. However, the appeal lies in the scope for bundling together local, cellular and long-distance services across the adjoining territories. Since the terms permitting this are still being hammered out in Congress, it is thought likely the companies will postpone a final decision until the details are clear. Further mergers are expected among the seven "Baby Bell" local phone companies in coming months.

Tony Jackson, New York

Lex, Page 14

American Brands in $700m buy

American Brands, the US consumer products group, yesterday picked up one of the world's best-known names in golf clubs by agreeing to buy Cobra Golf, the US maker of King Cobra brand clubs, for $700m in cash.

The $36-a-share acquisition will strengthen American Brands' position as the world's biggest supplier of golfing accessories. The group already owns Titleist, a well-known maker of golf balls, and Foot-Joy, which makes golf gloves and shoes. Cobra Golf is a leading maker of oversize irons, which are increasingly popular among golfers because they help deliver longer, more accurate shots.

In the first three quarters of this year, Cobra Golf, which is quoted on the Nasdaq market, made operating profits of $47m on sales of $152m – more than it made in the whole of 1994, when it turned in operating profits of $38m on sales of $124m.

American Brands said access to Titleist's extensive international distribution network would boost Cobra Golf's growth, while Titleist's margins would benefit from Cobra's in-house graphite shaft manufacturing facility. The effect on earnings should be even next year and positive from 1997. American Brands sold its US tobacco business to BAT Industries of the UK for $1bn in cash at the end of last year to concentrate on consumer brands in growth markets.

Richard Tomkins, New York

Vitro plans support for US arm

Vitro, Mexico's dominant glass manufacturer, is proposing to make an equity investment of $126m over two years in Anchor Glass Containers Corporation, the company's troubled Florida subsidiary.

Anchor said it had set up a $130m revolving credit facility with US institutional lenders to prepay $80m in obligations and meet corporate needs. It also reached a provisional agreement with some of the holders of $250m in company debt to alter the terms of their notes, and allow the company, the third-largest US glass container manufacturer, to rationalise parts of its operations with Vitro.

"Before, Vitro saw Anchor as a stand-alone producer," Mr Luis Villalobos, an analyst at Citibank in Mexico City said. "Now they will try to exploit the synergies between low labour cost in Mexico and Anchor's customer base in the United States." The terms of Vitro's investment are yet to be announced. It is likely to increase its debt:equity ratio to above 55 per cent because of the investment, although Anchor will become less leveraged.

Daniel Dombey, Mexico City

Iberdrola in Latin America move

The advance of Spanish utilities into Latin America continued yesterday as Iberdrola, the country's largest private electric utility, agreed in principle to buy two Bolivian electricity distribution companies.

The two groups are being sold by Bolivian Power, which is listed on the New York Stock Exchange, for $62.3m. An Iberdrola affiliate is paying a further $3m to buy the Bolivian Power subsidiary, CADE. The book value of the assets is about $47m.

Stephen Fidler, Latin America Editor

هكذا من الاصل

BUSINESSES FOR SALE

GREEK EXPORTS S.A.
(Founded & owned by ETBA S.A.)

ANNOUNCEMENT

OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF "GENERAL STUDY, RESEARCH AND EXPLOITATION COMPANY (GEMEE) S.A." NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 1, Eratosthenous Street, and legally represented, in its capacity as special liquidator of GENERAL STUDY RESEARCH AND EXPLOITATION COMPANY (GEMEE) S.A., in accordance with Decision No. 6334/9.6.95 of the Athens Court of Appeal

ANNOUNCES A FIRST REPEAT

Public Auction for the Highest Bidder with sealed, binding offers for the purchase, as a whole, of the assets of "GENERAL STUDY, RESEARCH AND EXPLOITATION S.A., established in Athens at 11 Amerikis Street, within the framework of article 46a of Law 1892/90 as amended, complemented and in force.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

"GENERAL STUDY, RESEARCH AND EXPLOITATION COMPANY (GEMEE) S.A." was established in Athens in 1965 by ETBA S.A. with the main objects of conducting drilling for the location and development of mineral resources, geothermal liquids, the disposal of slags on deep levels, drilling for geotechnical studies, drilling for water, etc. At the same time, another of the company's tasks is the cutting, processing and exploitation of peat for farm use at Antiphilippoi, Kavala. The company owns two mineral concessions (M.TH + XR) in the Prefecture of Chalkidiki, O.P.65, 8,800 stremmas in area and O.P.66, 9,900 stremmas in area as well as industrial complexes for peat cutting, processing and packing on 144 stremmas at Antifilippon, Kavala. Detailed information on the assets of the company is contained in the Confidential Offering Memorandum which interested parties may receive from the liquidating company.

TERMS OF THE AUCTION

1. Interested parties are invited to receive from the Liquidator the Confidential Offering Memorandum in order to submit a sealed, binding offer to the Athens notary public assigned to the auction, Mrs. Theodora N. Sykianou-Papagalou at 48 Chr. Smyrnis Street, Vyronas, tel: +30-1-766.1910 and 765.0758 up to 11.00 hours on Thursday, 11.1.96. Offers must be submitted in person or by a legally authorized representative. Offers submitted beyond the specified time limit will not be accepted or considered.
2. The offers will be opened before the above-mentioned notary at 13.00 hours on Thursday 11.1.96 with the liquidator in attendance. Persons having submitted offers within the time limit are also entitled to attend.
3. The sealed, binding offers must clearly state the offered price and the manner of payment (in cash or on credit, the number of instalments and when they are to fall due, the proposed rate of interest, etc). If offers are submitted in a foreign currency, the amount shall be evaluated in drachmas at the fixing rate of the Bank of Greece in force on the day the offer is submitted.
4. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, valid until the date of signature of the sale contract, to the amount of sixty million drachmas (Drs. 60,000,000).
5. Forfeiture of guarantee: In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
6. Return of letters of guarantee. Letters of guarantee submitted for participation in the auction shall be returned immediately after adjudication of the auction by 51% of the creditors who represent the company's obligations, according to law, except for the letter of guarantee of the highest bidder to whom the letter of guarantee will be returned following signature of the final contract.
7. Evaluation guidelines: Among others, the following are to be considered as essential guidelines for evaluation of the offers by the liquidator:
   a) The size of the amount offered.
   b) The safeguarding of as many job positions as possible and any additional benefits to the personnel.
   c) The business plan and the investment programme of the buyer.
   d) The standing, business experience and reliability of the prospective buyer.
   e) The guarantees provided by the buyer for the settlement of any part of the payment on credit and the other commitments undertaken (creation of new job positions, making new investments, date of commencement of the unit's operations, etc.)
8. With their offers, prospective buyers must also commit themselves to undertaking works related to GEMEE's objectives.
9. The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the majority creditors as being the most satisfactory.
10. In the event that payment is to be on credit, the current value will be taken into account and will be calculated at a fixed rate of interest for all offers, this being the rate in force, at the time of submission of the offer, for interest-bearing Greek State bonds of a year's duration.
11. The Company's assets and all the separate fixed and circulating assets that make them up, shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company is operating or not.
12. The liquidator, the Company under liquidation and its creditors are not liable for any legal or actual faults or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum.
13. Interested buyers must, on their own responsibility and the care, and by their own means and at their own expense, inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale.
14. Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, in which case the offer remains binding as far as the rest of its content is concerned.
15. The Liquidator and the creditors bear no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the Liquidator's proposal regarding the highest bidder. Also they are not responsible and have no obligation to participants in the auction in the event of a cancellation or invalidation of the auction if its result is deemed unsatisfactory.
16. Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
17. The costs of transferring the ownership of the assets for sale (VAT charges on the value of movable assets, notary and mortgagor's fees, dues and other items) are to be borne by the buyer.
18. Participation in the auction implies acceptance by the prospective buyer of all the above terms.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to the head office of the liquidating company:

GREEK EXPORTS S.A., 1 Eratosthenous Street, 4th floor, Athens, Greece, Tel: +30-1-726.0210, 726.0276, 726.0291 and fax: +30-1-726.0864.

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For further information, interested parties should contact the Joint Administrative Receivers at:

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CONTRACTS & TENDERS

REPUBLIC OF LEBANON
MUNICIPALITY OF BEIRUT
COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

The Municipality of Beirut, represented by the Council for Development and Reconstruction, plans to realise a complex composed of a Public Garden, a Car Park and a Commercial Center in Ras Beirut according to a tender to Build, Operate and Transfer (B.O.T).

Candidates interested to execute this project are invited to submit their applications for prequalification. Candidates should form joint ventures with international corporations, including financiers, building contractors and international operating companies, that benefit from a significant experience in public gardens, car parks and commercial centers.

The project shall be built on plot No. 1220 in Ras Beirut, with an approximate area of 14,200 m², owned by the Municipality of Beirut.

The main functions of this project cover the following areas:

A Public Garden (green spaces....)	6,800 m² approx.
Commercial Shops, Snacks	5,000 m² approx.
Services (warehouses, kitchens, ...)	4,200 m² approx.
Galleries (ramps and arcades)	2,800 m² approx.
Offices	6,200 m² approx.
Car Park (1500 cars)	44,700 m² approx.

The project also includes the execution of foundations for an office tower with an area of 48,000 m². It is noted that although the office tower plans have been completed, the building of the tower shall be executed at a later stage not within the framework of this project.

This project should be completed according to a strict time table within a period not exceeding 24 months.

The group of companies or parties which shall be selected must build the complex, operate it for a number of years, that should be indicated in their tender offer and subsequently deliver it in an excellent operating condition to the Municipality of Beirut. The prequalification procedure shall conform to the prequalification document which can be obtained from the Council for Development and Reconstruction against the sum of U.S.$./5000/ in the form of a certified banker's cheque in the name of the Council for Development and Reconstruction.

The group of companies or Parties interested in participating in this project are invited to collect the prequalification documents as of Tuesday 5/12/1995 and to submit them accompanied by all the required documents before 12:00 noon, Beirut local time, on Monday 5/2/1996 at the following address: Council for Development and Reconstruction Tallet Al-Serail-Beirut - Lebanon.

Ente Minerario Siciliano
Extract from Invitation to Tender

It is announced that the Official Gazette of the Italian Republic part II No 299 of 23 December 1995 and the Official Gazette of the Sicilian Region parts II and III No 51 of 23 December 1995 will publish the full text of the invitation to tender, pursuant to Sicilian Regional Law No 39/94, for the acquisition of the I.S.A.F. S.p.A. company, now in liquidation, operating in the field of fertilizers (Head Office, Via Ruggero Settimo 55, 90139 Palermo, Italy), or for the direct acquisition of the factory, plant and equipment of the said company situated in the territory of Gela (province of Caltanissetta). Pursuant to the above-mentioned Sicilian Regional Law No 39/94, a non-returnable contribution of up to fifteen billion (15,000,000,000) lire will be made, provided that the real estate of the Company be tied for at least ten years to productive activity in the field of fertilizers, with a view to the production of sulphuric and phosphoric acid. Tenders must be deposited at Ente Minerario Siciliano, Via Ugo La Malfa 169, Palermo within 60 days of publication of the Invitation to Tender in the Official Gazette of the Italian Republic and the Official Gazette of the Sicilian Region, and must be complete with projects for the reactivation of the factory and plant for the resumption of the production of sulphuric and phosphoric acid.

Address tender to: Ente Minerario Siciliano, Servizio Partecipazioni, Via Ugo La Malfa 169, 90146, Palermo, Italy.
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The Financial Times plans to publish a Survey on

Franchising

on Tuesday, March 5th.

This survey will focus on areas such as research for potential franchises, explores sources of funding available and highlights the specialist help available.

For more information, please contact

Lesley Sumner
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FT Surveys

UKAEA
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UNITED KINGDOM ATOMIC ENERGY AUTHORITY

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The United Kingdom Atomic Energy Authority (the Authority) is inviting tenders for the provision of Occupational Health services.

Prospective providers are offered a three or four year contract for the provision of Occupational Health services at four sites within the UK, with guaranteed minimum volumes of work. The successful contractor will be expected to take over the team of around 25 medical and administrative staff currently providing this service, who have considerable experience of providing Occupational Health Services at the Authority's major research and development establishments and at other locations.

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- a specialist workforce which includes medical and nursing staff, physiotherapists and specialists in occupational hygiene and medical laboratory science/environmental assessment.

All interested parties should write to:

Peter J A Stone,
Contracts Manager,
UKAEA Government Division
521 Harwell, Didcot, Oxfordshire
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A prequalification letter will be issued to those responding to this advertisement on 5 January 1996.

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FINANCIAL TIMES

COMPANY NEWS: UK

Deal gives market leadership in chocolate as well as sugar candy

C$225m purchase by Cadbury

By Roderick Oram in London and Bernard Simon in Toronto

Cadbury Schweppes is buying Neilson Cadbury, Canada's largest chocolate confectionery *maker, for C$225m. The deal* shows the UK group is still hungry for acquisitions despite its heavily debt-laden balance sheet.

The acquisition takes the UK soft drink and confectionery group back into Canadian manufacturing, an activity it quit in 1987. It sold its business to George Weston, the Canadian food processor, which combined it with its own confectionery business to become Neilson.

About half of Neilson's sales, totalling C$228m in 1994, consist of products manufactured under a 40-year licensing deal with Cadbury negotiated six years ago.

*Weston recently asked Cad*bury if it were interested in buying Neilson Cadbury, which made up about one-tenth of Weston's sales, and did not fit with its other businesses. It made pre-tax profits of C$10.2m in 1994 on the assets Cadbury is buying.

The UK group said it was a willing acquirer because of Neilson's market leadership in chocolates which complemented the number one position in sugar candy of Allan Candy, the Canadian company Cadbury bought in June.

The purchase should also help Cadbury develop its international brands in Canada. And Cadbury was seeking to *balance purchases* of companies in developed markets with strong cash generation against its cash consuming start up ventures in developing markets such as Russia.

Weston said Neilson was likely to benefit from Cadbury's global marketing clout. "Both parties came to the table and negotiated a deal that was mutually satisfactory."

Cadbury is paying roughly one times annual sales or some 22 times profits, ratios at the *higher end of food* industry acquisitions.

"Neilson is an expensive deal," one analyst said. But the purchase might look to be better value to Cadbury once Neilson's royalty payments to it are netted out.

"The deal throws the spotlight on two features of Cadbury: it hasn't left the acquisition trail and it has a very, very stretched balance sheet," *the analyst* added.

Cadbury has had several rights issues in recent years and loaded up with debt to make a number of purchases, most notably early this year of Dr Pepper, the US soft drinks group.

Forte hits snag in hotels sale

Forte's sale of its White Hart hotels chain has hit difficulties. Forte, which is fighting a £3.2bn ($5bn) bid from Granada, the TV and leisure group, was expected to announce the sale of the chain yesterday for about £100m, writes Scheherazade Daneshkhu.

However, Oriel Leisure, a hotel management company negotiating to buy about 60 White Hart hotels is believed to be asking for a price cut.

The White Hart chain comprises 72 hotels but Forte is keeping some to integrate them with its Posthouse mid-market brand. Forte is believed to be prepared to abandon the deal if Oriel does not accept the previously agreed price.

As part of its defence against Granada's bid, Forte has argued that it is disposing of non-core assets to run a tightly focused group.

Forte's negotiations to sell the 490-hotel US Travelodge chain are believed to be progressing well. It is expected to announce this week that it has managed to secure a healthy premium to the book value of $150m (£95m).

Meanwhile, the Council of Forte, which safeguards Forte trust shares and has more than 50 per cent of voting rights, is going to the High Court today to clarify its powers and responsibilities.

C&W appoints temporary chief

By Alan Cane

Mr Rod Olsen has agreed to *take on the role of acting chief* executive of Cable and Wireless, the UK-based telecommunications group, while a permanent appointee is sought.

Mr Olsen is currently executive director, finance. He also *heads the executive manage*ment team and has responsibility for the Pacific business.

The group has been without a permanent chairman or chief executive since November 22, when Lord Young of Graffham and Mr James Ross were asked to leave after a clash over company strategy. Mr Olsen is a member of the group of directors who will choose the new chief executive – therefore ruling *himself out as a contender*. Other members are Mr Win Bischoff, chairman of the non-executive directors, Sir Ralph Robins and Mr Brian Smith, who has taken over as chairman.

*Mr Smith has said he is anx*ious to appoint a new chief executive as soon as possible. The appointee is likely to come from outside the company and quite possibly from abroad. C&W is changing its rules so that a foreigner can hold the post of either chairman or chief executive.


Rod Olsen: not a contender for full time chief executive

US allegations hit Telemetrix

By James Harding

Shares in Telemetrix fell 20p to 124p yesterday, as the electronic components company announced that an investor had levelled allegations of insider dealing against its US subsidiary.

GTI Corporation, the electronic components business 57 per cent owned by Telemetrix, faces a class action lawsuit which alleges "violations of federal securities laws".

The case involves allegations surrounding the sale of shares by certain of GTI's "officers and directors" prior to the announcement of lower than expected fourth quarter earnings.

A statement was released on Friday evening after the closure of Nasdaq, where GTI is quoted. Yesterday the shares had slipped $1¼ to $14½ by the early afternoon.

Telemetrix yesterday shrugged off the lawsuit, saying that such class actions were "a commonplace in the US".

Mr Tim Curtis, chief executive of Telemetrix, said he had no doubts about the individuals involved and that the case "is lacking in merit".

GTI is applying to the Californian court, where the suit has been filed, for the 60-day discovery period to establish the facts and mount a defence.

News of the class action lawsuit comes just two weeks after it announced the departure of Mr Gary Luick, president and chief executive of GTI, and issued a profits warning for the fourth quarter. Telemetrix said GTI's performance did not require analysts to alter forecasts for the UK group's full-year results.

Mission Energy wins Grid arm bid

By David Wighton

Mission Energy of the US is set to become one of the largest independent power generators in the UK following a successful bid for the former National Grid "pumped storage" business.

The acquisition of the two stations, which are used to meet sudden surges in demand, will give Mission a prominent role in ensuring the security of supply in England and Wales.

Mr James Iaco, Mission's senior vice-president, described the stations as "a national treasure". Mission's offer, thought to be more than £500m ($790m), topped the other two bidders – Scottish Hydro-Electric and Dominion Energy of the US.

About 11 companies put in initial bids including Eastern Group, the regional electricity company owned by Hanson.

Analysts believe the pumped storage business, called First Hydro, would be more valuable to a company with other generating capacity. Mr Iaco said the deal, to be completed on Thursday, made Mission keener to win the auction for three of National Power's coal-fired stations.

Mission is one of four final bidders for the 4,000MW of capacity, worth more than £1bn, in competition with Eastern and two other US companies, Applied Energy Services and Enron. First Hydro consists of two pumped storage stations in North Wales with combined capacity of 2,088MW. They pump water into a reservoir at night, when the electricity price is low, and release the water, generating power, at peak demand when the price is high.

After National Power and PowerGen, First Hydro is the generator which most often sets the price in the electricity pool.

New chief at Liberty reinsurance

Liberty Mutual, the US financial services group, has dropped its chosen chief executive for a planned London reinsurance company because it fears he may not be acceptable to Department of Trade and Industry regulators, writes Ralph Atkins.

Mr Jim Payne, a former vice chairman of Sedgwick, the insurance broker, was to have headed Liberty Reinsurance. However, in 1993 he was criticised in a report by the DTI *into the affairs of the col*lapsed London United Investments insurance companies.

Mr Dick Hazell, chairman of Liberty's European holding company, would not say if that DTI report was the reason why *Mr Payne* had been dropped, but said: "It is quite clear that he is not going to be accepted by the DTI.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Trust	Yr to Sept 30	17.6	(17.7)	4.15♠	(5.04)	3.21	(4.01)	1.8	Feb 28	1.4	2.5	2
Brasway	6 mths to Oct 28	20.2	(19.4)	1.05	(0.505)	0.89	(0.43)	0.28	Mar 5	0.24	-	0.59
Black & Edgington	Yr to July 31	7.59	(8.45)	9.98L♠	(1.07L)	1.9L	(0.21L)	-	-	-	-	-
British Thornton	*6 mths to Oct 31*	4.85	(4.66)	0.593L	(0.304)	3.7L	(1.3)	nil	-	1	-	2
Crest Packaging	6 mths to Oct 28	22.7	(21.5)	1.43	(1.84)	2.7	(3.5)	1.375	Mar 22	1.375	-	4.125
Ivory & Sime	6 mths to Oct 31	7.39	(8.49)	2.95	(3.1)	6.42	(6.52)	2.5	Jan 31	2.25	-	7.5
Jones & Shipman	6 mths to Sept 30	8.9	(6.13)	0.619	(0.897L)	2.1	(3.5L)	nil	-	nil	-	nil
Kunick	Yr to Sep 30	105.3	(95.2)	12.2♥	(8.98♥)	2.39	(1.59)	0.35	Mar 13	0.5	0.6	0.5
Lawrence	6 mths to Sept 30	6.9	(2.68)	0.82	(0.34)	9.6	(5)	1.5	Mar 26	-	-	-
Mosaic	6 mths to Oct 31	3.15	(9.59)	3.34L♠	(1.69L♠)	10.64L	(5.86L)	0.5	Feb 27	1	-	1
Residential Prop	6 mths to Sept 30	0.968	(0.08)	0.319	(0.094)	3.9†	(4.9)	1.5	-	nil	-	1.3
Rolfe & Nolan	6 mths to Aug 31	7.66	(7.1)	1.07	(0.742)	5.35	(2.9)	1.6	Jan 26	1.4025	-	4.0925
Smith St Aubyn	6 mths to Oct 31	1.12	(1.26)	0.108	(0.378)	0.09L	(0.71)	nil	-	0.6944	-	3.8425
Victoria Carpet	6 mths to Sept 30	17.77	(18.1)	0.022♠	(0.341)	0.19	(3.25)	-	-	-	-	2
Willoughby's	Yr to Sept 30	14.9	(13)	1.06	(1.53)	7.2	(13.1)	1.5	Feb 12	1.5	2.5	2.5
Wintrust	6 mths to Sept 30	-	(-)	1.52	(1.36)	9.69	(8.45)	4.02	Mar 29	3.65	-	11.35
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bankers Investment	Yr to Oct 31	199.7	(179.3)	7.72	(6.6)	4.98	(4.26)	1.13	Feb 28	0.99	4.22☆	3.9
Edinburgh Japan	*6 mths to Nov 30*	165	(185)	0.026L	(0.029L)	0.12L	(0.29L)	-	-	-	-	nil
Fairbairn European	Yr to Oct 31	101.06	(98.36)	0.486	(0.458)	0.95	(0.9)	0.8	Feb 16	0.7	0.8	0.7
Moorgate	6 mths to Nov 30	171.2	(153.5)	0.296	(0.232)	2.8	(2.52)	1.75	Feb 16	1.7	-	4.45

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. ☆Includes 3 interim payments of 1.03p each.

Citizens Financial and First New Hampshire merge

By George Graham

Bank of Ireland is merging its US retail banking activities with Royal Bank of Scotland's Rhode Island-based Citizens Financial Group, creating a New England bank with assets of more than $14bn.

RBS will hold 76.5 per cent of the enlarged Citizens group, while Bank of Ireland will own 23.5 per cent and in addition receive up to $246m in cash and loan notes.

The deal values Bank of Ireland's First New Hampshire Bank at $705m and the new Citizens group at $1.85bn. The combined bank has 210 branches in four New England states, from eastern Connecticut through the greater Boston area to New Hampshire.

Meanwhile, Marine Midland, the New York-based arm of HSBC Holdings, is to buy East River Savings Bank from River Bank America for $93m. The deal brings Marine Midland $1.1bn in assets and 11 new branches – including its first *in the borough of Staten* Island.

Mr Robert Speirs, RBS group finance director, said Citizens would continue to look for ways of strengthening its franchise in the region. "I think we'll be looking at infill situations in the New England area," he said.

But although the merger makes Citizens the third largest bank in New England, it still leaves it a minnow in the face of Fleet Financial, whose acquisition last month of Shawmut National creates a giant with assets of $81bn.

Mr Speirs said he was undeterred by such competition, since Citizens had very strong positions in all the areas in which it had a presence. "We are happy to take Fleet on."

For Bank of Ireland, the merger of First New Hampshire with Citizens solves a quandary over how to maintain growth in the US. With 20 per cent of the New Hampshire banking market, First New Hampshire had reached a regulatory ceiling in its home state, while expansion outside New Hampshire would have been costly.

"We didn't want to get out of the US. Equally, the substantial capital we would have had to commit to build First New Hampshire from a £4bn asset bank to a $15bn asset bank was way beyond what we thought we ought to commit," said Mr Paul D'Alton, Bank of Ireland's chief financial officer.

Bank of Ireland will retain Bank Ireland First Financial, a leasing subsidiary now being run down, while RBS will also take $50m in capital back from Citizens.

MOROCCO

Challenges loom as barriers come down

The agreement with the European Union, initialled last month, is a crucial milestone in the country's economic and political development, write **David White** and **Roula Khalaf**

It took almost two years of difficult negotiation, tension and frustration. But now that Morocco, Europe's closest neighbour in Africa and the Arab world, has an association agreement with the European Union, the really tough job may be only just beginning.

The agreement, initialled last month, is a crucial milestone in the country's economic and political development. Concluded only after what officials refer to as a "commando operation" to pull the negotiations out of the mire, the pact provides the pretext for the modernisation of business practices and a cumbersome administrative system.

Morocco could not afford to see the agreement tying it to the EU further delayed. After successful macro-economic stabilisation, since last year the economy has run into a bad patch with the worst drought in living memory.

There have now been droughts for three of the last four years. Tourism, remittances from Moroccan workers abroad and foreign investment have all fallen, and budget constraints have put a brake on taking up foreign credit. The main motors of the economy have been spluttering. And currency movements have left Morocco's dirham overvalued, eroding competitiveness.

After strong growth of some 11.5 per cent last year, the country is in recession and the government predicts negative growth of 5 per cent. Harvests have been virtually halved, with dramatic effect, at least on the visible economy: the one crop that has apparently thrived is hashish in northern Morocco. Inflation has risen and – though it is far from the levels of the early 1980s – so has the budget deficit.

The impact of the drought shows the vulnerability of a country where nearly half the active population depends on the land. Agriculture makes up much less of the national economy – varying between about 13 and 18 per cent – but its ups and downs have a multiplier effect.

The EU agreement, linked to financial aid, was concluded in time to avoid casting a shadow over the wider Euro-Mediterranean pact signed in Barcelona late last month and foreseeing a free trade area covering 12 countries of North Africa and the Middle East. Under the association agreement, Morocco is set to scrap all tariffs on European industrial goods within 12 years. Business is worried that the process of dismantling barriers may be too rapid, while farmers complain that the accord does little to open EU markets to Moroccan agriculture.

The challenges are already beginning to loom larger than the benefits. The question is whether Morocco can adapt in time.

At the request of King Hassan II, the World Bank submitted a report in September, with sobering conclusions. Growth, although averaging 4.3 per cent a year between 1988 and 1994, was not enough to match the increase in the numbers seeking employment (Morocco's population of around 28m has almost doubled in the last quarter-century) and had not brought sufficient diversification to the economy. Recent droughts had increased the proportion of Moroccans living in "barely acceptable conditions". Social indicators in the countryside were at "sub-Saharan levels".

Even though 20 per cent of government spending and 5.8 per cent of the gross domestic product went on education, 51 per cent of people were illiterate. The primary school attendance rate for girls in rural areas was 34 per cent – comparable, the World Bank said pointedly, to Burkina Faso. "Few countries," it said, "have obtained such disappointing results for such large investments in the education field. Morocco is far behind the other countries of the Middle East and North Africa ... much poorer countries such as Kenya or Nepal have obtained qualitatively better results than Morocco."

The report criticised clumsy administration, slow decision-making and a "large, inefficient and poorly adapted" public sector. Annual growth of at least 7 per cent was needed to control unemployment, now around 16 per cent, but double that among young graduates. Morocco needed more savings, investment on infrastructure, labour market reforms, better training and an overhaul of the administration; 65 per cent of current expenditure after paying for debt servicing went on civil servants' pay (and that excluded perks). It called for more incentives, more delegation of decisions and public audits.

At around the same time, a leaked government policy document warned that in 2002, if things were allowed to continue as now, the jobless rate would reach 27 per cent and foreign exchange reserves would be exhausted. The paper made controversial recommendations for phasing out subsidies and tax breaks and freezing civil service pay.

All this has been aired in public as a deliberate move – not, say top officials, as a distress signal but in order to prepare the ground for much-needed changes, including more austerity measures.

The World Bank report has occupied newspaper headlines for months, generating lively debate among Moroccans on the need for change. The work has already begun, with a new investment code issued and new laws planned on labour, companies and competition. In the private sector, professionals are busy devising strategies to improve badly managed sectors such as tourism and other services which can lead to diversification from agriculture.

But the main question is: who is going to make the decisions from now on and implement reform? The World Bank itself voiced concern about delays in implementing government policies, a "slow, unpredictable" decision-making process and "paralysing budgetary and financial procedures". Recent events have shown the government unable to resolve important issues without intervention from the King – including the negotiating strategy with the EU and the handling of privatisation.

Observers are voicing concern that the absence of institutions which can outlive the King is the biggest risk facing the country. The situation must change, they say, especially as the 66-year-old monarch's health is in doubt after respiratory problems put him in hospital during the recent UN anniversary meeting in New York.

Palace advisers see administrative and economic reforms as being closely linked to the planned reform of the political system to make government more open and representative.

A constitutional change has been promised next year to create a second parliamentary chamber, with all the members of the lower house directly elected, instead of two-thirds as at present. This would mean new elections, although the King is likely to wait for a better climate to hold them in.

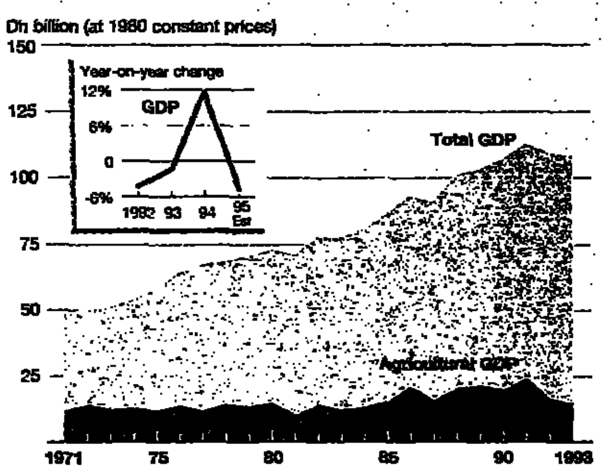
In the meantime, a new government is expected to be formed with the aim of obtaining cross-party support, replacing the current prime minister, the veteran diplomat Mr Abdellatif Filali. This plan follows unsuccessful attempts by the King to draw the socialist and nationalist opposition parties into participating in the cabinet. Such a broad-based agreement, if it is achieved, would give an interim prime minister the legitimacy needed to carry out tough measures.

Caution will continue to be the watchword in this transition period, with the risk that austerity measures and economic discontent could turn out be a golden opportunity for Moslem fundamentalist groups, which have been gaining ground in universities. Although fundamentalists are not represented in parliament, they are tolerated by the King while at the same time closely watched by the interior ministry. The groups themselves say they are less interested in entering parliament in the near future than in getting society to apply stricter Islamic norms.

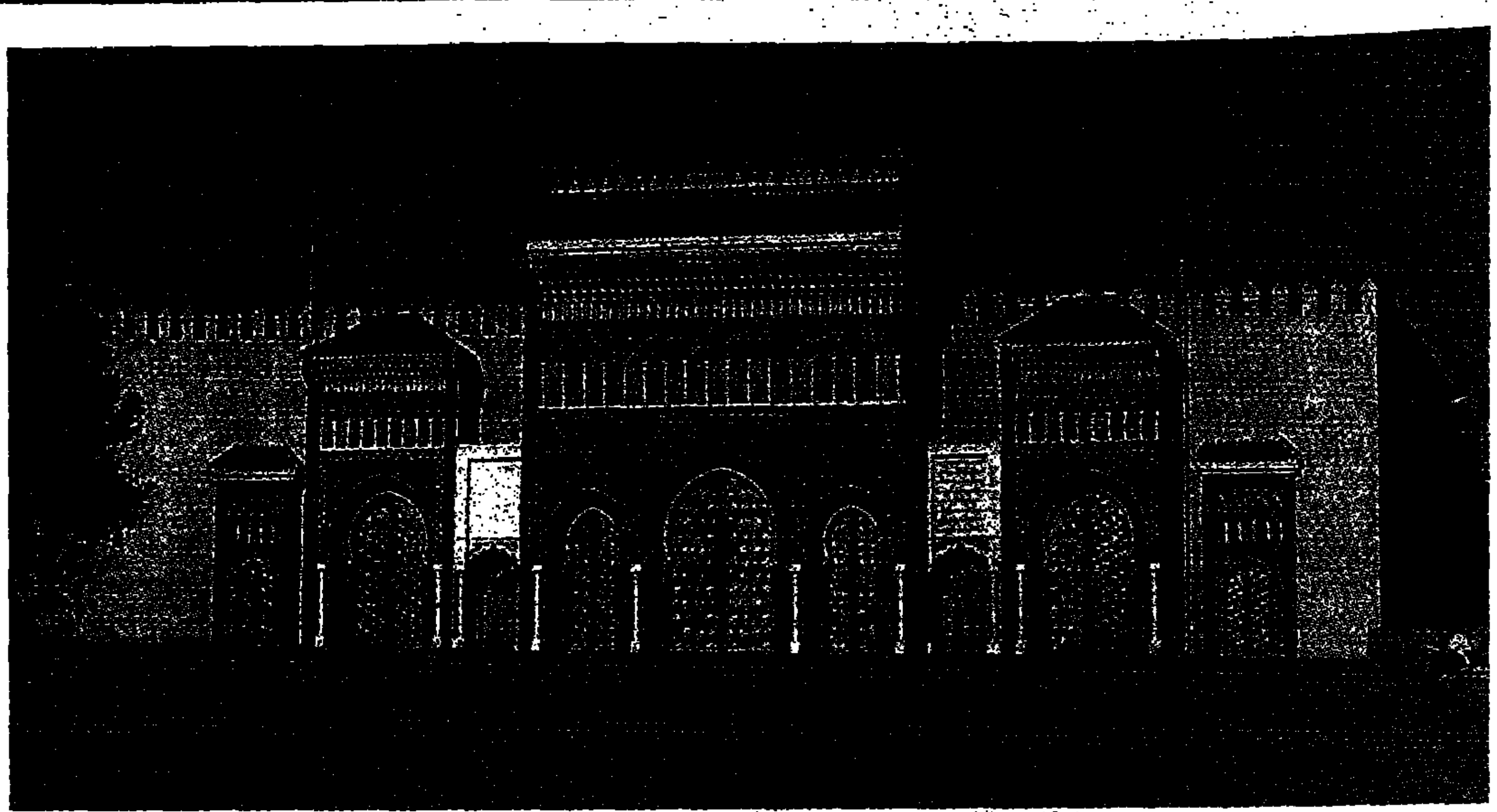
However, Morocco now appears committed to a political system which, without necessarily diluting the King's ultimate power, bears more resemblance to European democracy. Next year will be the 40th anniversary of the country's independence from France and Spain, and the 35th anniversary of King Hassan's accession to the throne. One of the third world's longest-standing monarchs, he has gained in popularity over the years. Shrewd and skilled at playing off different groups against each other, he has done much to improve his country's human rights record and has set it on a course towards much greater transparency in both business and politics.

The determination of Morocco, separated from Europe by a Mediterranean strait less than half the width of the English Channel, to be in the vanguard of countries seeking EU links comes after a long period of soul-searching. Eventually, it became clear there was no other option. But the challenges facing Morocco, as it seeks both to modernise and be more ambitious, are far from over.

GDP



Source, Finance Ministry



The King's Palace – Dar el-Makhzen – in Fez

Fergus Wilde

European Union agreement: by Roula Khalaf

'We have 12 years to adjust'

Barriers will be dismantled as the country anchors its economy to the European sphere

Shrimps, tomatoes and cut flowers were the main subjects at the tortuous talks over Morocco's association agreement with the European Union. And, though farmers continue to complain, for Moroccan officials the accord, which was finally reached in November, represents far more than a trade deal. They like to think of it as marking the end of the colonial pact and the beginning of a new era in which relations are based on equal treatment.

Morocco has always acted emotionally when it comes to relations with the EU. Given its political stature, the stability it enjoys and the role it has played in the Middle East peace process, Morocco expected to be allowed special treatment. In 1987, it went so far as to lodge an application to join the EU. The application was turned down.

With two-thirds of trade already with EU countries, getting an EU-Moroccan deal to replace a 1976 agreement took more than two years of haggling over fish and agricultural products. In the final count, Morocco managed to receive more than the EU originally offered both in fishing and in agriculture.

Although the agreement fell below its expectations and demands, Morocco's officials take pride in the fact that standing their ground has at least resulted in somewhat better agricultural access to EU markets while at the same time reducing the size of EU catches in Moroccan waters.

More important for both Morocco and the EU is the deal's political dimension. The new forum for political co-operation created by the accord is welcome in Rabat as a sign of a more equitable relationship.

In the final analysis, Morocco had little choice, at a time of increasing globalisation, but to anchor its economy in the European sphere. As far as industry is concerned, the EU accord changes little in terms of access to markets. Other than a few quotas on trousers and some ladieswear, which Morocco has traditionally been able to circumvent, Europe has been open to Moroccan manufacturing.

What will change, starting in 1997, is that Morocco will begin to open up its market for European products, thereby putting immense pressure on its own industry to shape up.

The accord to create a trade zone is structured in such a way that until the end of 1999, dismantled tariffs will cover equipment and raw materials not manufactured in Morocco, which should reduce the cost of inputs for local businesses and encourage investment. The real dismantling of barriers on products that are also made in Morocco begins on January 1 2000, with a 10 per cent reduction in tariffs every year for a period of 10 years.

The resulting loss in customs revenues, which now make up some 27 per cent of total budget receipts, is just an aberration, say officials. "What is at stake is more sophisticated than this," says Mr Hassan Abou Ayoub, the agriculture minister, who acted as a main negotiator on the accord. "This is the most important event of the 21st century. We have 12 years to really adjust our economy and put it in a real process of integration with the world economy."

If relations with the EU seemed fixated on agriculture, that was partly because Morocco had been encouraged by Europe to diversify its agricultural sector. The result of the diversification – into winter tomatoes and cut flowers, for example – did little to open up EU markets, as Morocco's agricultural products compete head on with Spain's and Portugal's.

According to EU officials, it has always been made clear to Morocco that free trade would not extend to agriculture, although the agricultural element of the association agreement is subject to review in the year 2000. Moreover, the sensitive products over which much haggling took place represent no more than 9 per cent of total exports. "It is not Morocco's future," notes Mr Ronald Gallimore, adviser to the EU mission in Rabat.

> From 1997, there will be immense pressure on industry to shape up

Still, the accord allows Morocco to increase its exports of the following agricultural products:

- Oranges and clementines, which represent the bulk of agricultural exports. Morocco can now export a total of 340,000 tonnes, a 15 per cent increase over average exports in recent years. For clementines, however, the agreed entry price of Ecu500 per tonne is too high and means, in effect, that the quota will not be met.
- Tomatoes: Morocco produces some 250,000 tonnes of tomatoes and in the past few years an average of 130,000 tonnes has been exported to the EU yearly from November to March. In the new accord, Morocco will be able to export 150,676 tonnes, at Ecu500 per tonne, and stretch the period from October to March.
- Potatoes: Average yearly exports of about 90,000 tonnes can now be increased to 120,000 tonnes, with no entry price set. Exports can now be spread over December to April instead of January through March.
- Cut flowers: In the past few years, Morocco has exported some 3,500 tonnes of cut flowers a year. However, the private sector considers this an industry with great potential and Morocco's original demand was to export as much as 8,000 tonnes a year. The final deal gives Morocco EU access to 5,000 tonnes. No entry price applies for cut flowers.

The challenges presented by the agreement come at a difficult time for Morocco. Afraid of losing the ground it gained with a structural adjustment programme, the government is keen to maintain a tight grip on its finances at a time when rural development is lagging behind and the social map – in terms of education, health and housing – is badly in need of investment. Moreover, a World Bank study has estimated that 30 to 40 per cent of Moroccan businesses are likely to go under in the absence of serious restructuring.

The EU understands these challenges well. The Ecu428m that Morocco has received in the past five years (including European Investment Bank financing but excluding the Ecu104m yearly contribution arising out of the fishing deal) should be increased to about Ecu1bn for 1996 through to 1999.

Whereas in previous protocols, the bulk of EU funds went into infrastructure projects, between 50 and 60 per cent of the new funds will go directly to upgrade private sector enterprises, while a structural adjustment programme will help bridge budgetary gaps. The EU office in Rabat is already setting up a programme to help the private sector identify its problems and needs.

The EU's Mr Gallimore says the success of the partnership will depend on how European business reacts to it and whether it chooses Morocco as a springboard for the rest of the free trade zone being established. Indeed, the growth rate target of 8 per cent a year expected from the agreement is based in large part on attracting foreign direct investment.

Attracting foreign investment, estimated at only DH4bn in 1995, requires an overhaul of an inept administration and an unreliable justice system – foreign investors have in the past complained that it is impossible to win a case against the administration. Mr Driss Jettou, the industry minister, says such reforms are under way. For instance, the government is setting up special commercial tribunals to enhance the judicial environment.

If industry is fretting about the opening of Moroccan markets to EU industrial products, high-level officials say the pressure is exactly what the country needs to become more efficient. "We cannot be a partner with Europe and have a justice system that does not work or have corruption," says one official. "This agreement is an engine for change."

The economy: by Roula Khalaf

A more coherent strategy is needed

Rapid changes are now under way and reliance on the private sector is growing

"Morocco is a construction site," says a Moroccan businessman. "We are building everything."

From the education system to the private sector and the administration, everything seems to be undergoing reform in Morocco. This was highlighted in October when King Hassan II made public the results of a World Bank report, outlining the weakness of the Moroccan economy and calling for rapid change.

Until recently, the Moroccan economy was hailed as an example of successful macroeconomy restructuring. Under the auspices of the International Monetary Fund, between 1985 and 1994 Morocco was able to stabilise its accounts. Thanks to liberalisation measures, fiscal reforms and the dismantling of barriers, the economy grew at an average 4.8 per cent over the past eight years and inflation stabilised at about 5 per cent.

Debt, which now stands at about $22bn, has been reduced from 122 per cent of GDP in 1985 to 68.3 per cent in 1994 and debt service has shrunk from nearly 71 per cent of GDP in 1985 to 35 per cent last year. The budget deficit dropped from 9 per cent of GDP in 1985 to 3.1 per cent last year.

Since the beginning of 1995, however, worries have mounted that the gains achieved by Morocco may be fading away. A severe drought this year will lead to an estimated negative 5 per cent growth. According to the ministry of finance, the budget deficit could reach 5 per cent of GDP this year, as opposed to a targeted 2 per cent. Inflation is already running at around 7 per cent, ahead of the 5 per cent projected.

Meanwhile, a persistent trade deficit continues to reflect Morocco's lack of competitiveness. Workers' remittances, the largest contributor of foreign exchange, and tourism receipts, the second largest contributor, both fell in the first seven months of this year.

As the World Bank says, Morocco's growth rate is insufficient to absorb a growing active population and the economy has not been diversified enough to withstand the shocks of drought. Although agriculture accounts for less than 20 per cent of GDP, it employs nearly half the active population. Non-agriculture GDP has been growing at no more than 4 per cent a year and industrial exports have stagnated at 35 to 40 per cent of total exports since 1990.

Although poverty has been halved between 1984 and 1991, drought has exacerbated the plight of the rural population, whose incomes are estimated to be half those in urban areas. The World Bank says social indicators – 50 per cent of the population remains illiterate – are much lower than comparable countries and closer to sub-Saharan levels.

Unemployment is growing and is estimated to reach 33 per cent among young university graduates. (The reality of unemployment, however, is hard to gauge due to a huge informal sector, estimated at nearly 40 per cent of the economy). Although foreign direct investment has jumped tenfold in the past decade, it remains at only DH4bn. Meanwhile, total investment as a percentage of GDP has gone down from 22.8 per cent in 1992 to 20 per cent last year.

At a time when Morocco has just signed an association agreement with the EU, creating a free trade zone within 12 years, the country seems in dire need of a more coherent development strategy. According to the World Bank, the strategy should include a more efficient education policy and a reform of the administration.

Although 20 per cent of the budget is dedicated to education, a high proportion of funds is consumed by salaries and the private sector complains that graduates do not respond to the needs of the market. Meanwhile, public sector employee salaries (excluding those at public enterprises) consume 10 per cent of GDP and 65 per cent of current spending after debt services charges.

Government ministers insist that reform is under way, including measures to control expenses, force industry to become competitive by signing the EU accord, and reform labour laws. However, despite calls for devaluation to make exports more competitive, Mr Mohamed Kabbaj, the finance minister, says that exports growth of 15 per cent is healthy and that experience has shown that devaluation had unfavourable effects on Morocco's balance of payments. Some economists agree on the grounds that a devaluation would provide industry with an artificial boost, delaying much needed restructuring to boost competitiveness.

An austerity budget is expected for 1996-97. In September Moroccans voted in a referendum to change the date for approving the state budget to June instead of October to allow the government to make more accurate estimates after the result of the spring harvest. The interim six-month budget presented to parliament in December reduces expenditures on the administration by 5 per cent and raises VAT from 19 per cent to 20 per cent.

To encourage investment – the aim is to lift it to 27 per cent of GDP in a decade – a new investment code has been approved. It simplifies rules, cuts red tape, reduces the corporate tax rate from 36 to 35 per cent and the marginal rate of income tax from 46 to 44 per cent.

Mr Driss Jettou, the industry minister, says the government is creating special tribunals to settle commercial disputes, a new code for commerce and a new companies law. "Foreign investors will find the same judicial environment they have at home," he says.

While the government attempts to design a more investor-friendly environment, the private sector is increasingly taking matters into its own hands to upgrade companies in preparation for competition with European products, as well as to put pressure on the administration to move quickly with its own reforms. As the private sector sees it, it has to be the engine for Moroccan growth from now on.

"As it is out of the question for the government to break the fundamentals and create growth through public spending, growth has to come from the private sector," says Mr Saad Kettani, a leading businessman and president of Wafa Assurance.

Since June 1994, a committee chaired by Mr Kettani and grouping private and public sector officials as well as World Bank representatives, has been attempting to define a new vision for Morocco's future. So far, the committee, with the help of international consultants, has developed detailed studies of various sectors and identified tourism, textiles, fishing, information services and pharmaceuticals as the most promising industries. Each sector is now creating its own sub-committee made up of private sector professionals to co-ordinate development strategies.

While attempting to accelerate privatisation – receipts this year have fallen short of projections – the government is also increasingly relying on the private sector for infrastructure and public service projects. Businessmen hope that such projects will at least potentially reduce the expansion of the bureaucracy.

For the first time this year, a $1.5bn power plant scheme was awarded to international contractors and the government may privatise water distribution to the city of Casablanca. "We are living in a revolution," says Mr Kettani. "With the signing of the EU deal, the clock has started ticking."

Morocco's main trading partners (% of total)

	1989	1990	1991	1992	1993	1994
EXPORTS TO:						
EC	64.4	64.7	57.5	59.3	69.7	67.1
France	29.5	31.4	31.8	32.8	34.7	33.4
Germany*	5.3	5.4	n/a	n/a	9.9	8.8
Spain	8.4	9.1	8.8	9.0	7.8	8.0
Italy	6.4	6.9	6.2	5.6	5.6	5.9
UK	3.9	3.2	2.8	3.3	5.1	4.8
Japan	4.6	3.9	5.2	5.0	4.9	4.5
IMPORTS FROM:						
EC	55.1	54.1	55.8	53.9	58.7	63.9
France	24.4	22.8	24.2	23.8	25.5	27.6
Spain	8.7	8.3	8.3	8.5	9.2	8.8
Germany*	6.2	6.7	5.9	5.9	8.0	9.8
US	9.1	6.2	5.8	5.9	7.7	5.2
Italy	6.3	6.8	6.9	6.2	6.7	7.7
Saudi Arabia	0.7	2.7	4.9	5.6	5.4	4.6
UAE	0.0	5.3	3.8	3.5	3.5	1.4

*West Germany only until July 1990. Source: Economist Intelligence Unit

KEY FACTS

Area .... 458,730 sq km (plus Western Sahara 252,120 sq km)
Population .... 27.1 million (mid 1995 estimate)
Head of state .... King Hassan II Capital .... Rabat
Languages .... Arabic, Berber, French, Spanish
Religion .... Islam (official religion, 99%), some Christians and Jews
Currency .... Dirham (Dh) = 100 centimes
Average exchange rate 1994 $1=Dh9.203; 8/12/95 $1=Dh8.533
1994 £1=Dh13.80; 8/12/95 £1=Dh13.03

ECONOMY	1994	1995*
Total GDP ($bn)	32.4	36.2
Real GDP growth (%)	11.0	-5.9
GDP per capita ($)	1,218	1,335
Components of GDP (%, 1993)		
Private consumption	66.0	
Total investment	21.2	
Government consumption	18.2	n.a.
Exports	22.5	
Imports	27.9	
Agriculture as % of GDP	18.4	14.1
Consumer prices (% change pa)	5.2	6.9
Reserves minus gold ($bn)	4.3	3.6
Money supply M2 (% change pa)	6.9	6.5
Stock mkt index (% change over year)	36.7	-3.8
Total external debt ($bn)	21.9	n.a.
Current account balance ($bn)	-0.7	-0.8
Exports ($bn)	4.0	4.2
Imports ($bn)	6.6	7.2
Trade balance ($bn)	-2.6	-3.0

* = Latest figures (EIU estimates for 1995 except reserves (Sept) and stock market (CFG 25 index – % change from 31/12/94 to 8/12/95). Sources: Economist Intelligence Unit, IMF, Datastream

Privatisation and the stock market: by David White

Bond issues should spur investors

The new phase of state sell-offs lets the authorities raise the money in advance

Privatisation, which got under way in Morocco less than three years ago, is entering a pioneering new phase. The new element is the privatisation bond – designed as an improved version of a French experiment in raising money in anticipation of state sell-offs.

The Moroccan authorities were surprised by the success of the first wave of privatisations, but the process has become bogged down in the past year. "We started with easy companies," admits Mr Abderrahmane Saaidi, privatisation minister.

So far the state has sold interests in 23 companies and ownership of 18 hotels, through tenders, private negotiation and the stock market, bringing in $850m in revenue. These have included some relatively straightforward deals, such as selling state shares in oil distribution joint ventures to the multinational partners. Since late 1994 the rate of divestment has slowed sharply, as the fixing of terms has become more complicated.

The new bond scheme is aimed at bringing in receipts from investors in advance and allowing sales to be properly prepared. "Otherwise," says Mr Saaidi, "we would be giving much more importance to deadlines than to the quality of privatisation."

There are currently still 53 company holdings and 19 hotels down to be sold. The original list drawn up in 1989 was enlarged to include the oil refining industry, consisting of the two state-controlled companies Samir and Société Chérifienne des Pétroles, and the target date for completing the sales, initially set for the end of this year, has been extended to the end of 1998.

The introduction of bonds as the main vehicle for this programme was delayed by internal wrangling in the government. This was a territorial row between Mr Saaidi's department and the finance ministry, which saw the plan as a new instrument of public debt and therefore a treasury matter. Mr Saaidi won the day, but the question of timing still had to be resolved.

The bonds, Mr Saaidi quickly points out, bear no relation to the privatisation vouchers handed out in eastern Europe and Russia, and have clear differences from the "Balladur bonds" issued in France two years ago. In the French case, he says, purchasers tended to prefer holding on to the bonds rather than converting them into shares.

Instead of standard interest rates, the Moroccan model proposes a lower 6 per cent annual rate for holders who end up buying shares. Those who do not will stand to receive 9 per cent, but still less than the standard rate on equivalent government loans. At the same time, bondholders will have absolute priority, unlike the French scheme which reserved a proportion of the shares for cash purchases.

The first issue is to be for Dh2bn ($235m), an amount Mr Saaidi believes should be "easy to collect". Individual investors will have 70 per cent reserved for them – or up to 85 per cent if demand is strong – with the remainder destined for recently-created mutual funds. For the moment, there is to be no international tranche, as proposed by bank advisers, until the new product is tried. It will, he says, be a "quasi-share", comparable to a down-payment on a flat. Some brokers are more dubious about the attractiveness of the bonds. One described them as "a kind of option without knowing what the underlying asset is".

The three-year state-guaranteed bonds, which can be traded on the Casablanca stock exchange, will be issued in small Dh1,000 denominations, with an initial minimum of three per subscriber. Bonds will be evenly allocated up to the first 50, and proportionally for larger applications.

Holders will have preferential rights not only to privatisation shares but also to further bond issues. The plan is to keep up new issues at a sufficient level to keep pace with privatisation. The scheme is meant not only to help meet budgetary targets but also as a gauge of the amount of investor funds available.

Trade balance (millions of dirhams)

	1994 (year)	1995 (first 9 months)
Imports	65,962	52,811
Exports	40,889	32,502

Source: Industry Ministry

Two-thirds of the privatisation revenue so far has come from Moroccan buyers, though 10 of the 23 company stakes and four of the 18 hotels have gone in whole or part to foreign interests. Principal sales include the SNI holding group, through "core" shareholders and a public offering; CIOR, the biggest cement producer, now controlled by Holderbank of Switzerland; and Banque Marocaine du Commerce Extérieur, the second largest bank, of which 26 per cent was sold to an international consortium earlier this year along with 14 per cent sold on the stock exchange and 3 per cent allocated to employees. The most recent offering, in June, was of government shares in Crédit Eqdom, a consumer finance company.

Expected to come soon are a holding in Banque Nationale pour le Développement Economique, the Samir refinery and the Sonasid steel company. SBC Warburg has been given the job of quietly seeking a core shareholder for Sonasid after an open tender embarrassingly failed to produce a buyer.

The programme has involved seven stock market offerings to date, a driving force for the market's growth since its Big Bang reform in 1993, which turned it into a privately-run institution with independent brokers and a securities commission. This year the market has failed to repeat the strong growth of the previous two years – a 27.9 per cent rise in the general index in 1993 followed by a 31.8 per cent gain in 1994 – although turnover has continued to increase.

Mr Aboubakr Jamai, a director of Upline Securities, controlled by the French Finacor group, describes the market as still "pre-emerging", with a lack of new private companies seeking listings. The conditions, he says, are too hard for most companies to meet.

On the other hand, between 25 and 30 of the remaining privatisable companies could potentially be listed on the market, according to the privatisation ministry. And sell-offs are unlikely to stop there.

Originally limited to "non-strategic" state interests, the scope of privatisation aims is being extended to energy and utilities and to previous "sacred cows" such as the airline Royal Air Maroc.

Mineral extraction remains off-limits for privatisation – "for the time being," says Mr Saaidi. This edict embraces Office Chérifien des Phosphates, Morocco's chief source of export earnings, but not downstream phosphate activities. The company recently formed a joint venture with Prayon-Rupol of Belgium for a $50m plant to refine phosphoric acid.

Morocco's state sector, partly dating from the French protectorate, grew sharply in the aftermath of independence. According to finance ministry figures, state companies accounted for 20 per cent of gross domestic product and 27 per cent of total wages and salaries. But early fears about the impact of privatisation on jobs, and about a wholesale sell-out to foreign interests, are being overcome. Mr Saaidi says the benefits of private sector management are becoming obvious. He is confident that "in Morocco the majority of public opinion has accepted the principle".

■ **Politics:** by David White

All are invited to play

Opposition parties may at last be ready to respond to the King's reform initiatives

Gingerly, Morocco is feeling its way out of a political stalemate that has lasted since general elections over two years ago.

Those elections, to the country's first new parliament for nine years, brought gains for opposition parties. However, in a parliamentary system stacked in favour of the centre-right government forces, they still fell short of a majority. The four biggest parties, two pro-government and two opposition, all ended within four seats of each other.

The ballot took place under a new 1992 constitution, under which the government is required, somewhat vaguely, to reflect the balance of forces in parliament. To fulfil this aim, King Hassan has since twice made offers to the opposition to take up most of the posts in government, and twice been refused.

Early last month he proposed a further constitutional reform to be put forward in 1996, changing the parliamentary system. The current 333-member single chamber would in effect be split in two.

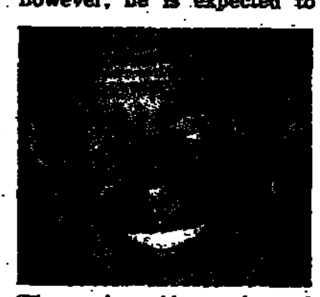
At present, a third of the chamber's members are indirectly chosen by an electoral college representing local councils and professional bodies, with the balance of these seats going to the government parties. This portion would, under the reform, be transformed into a new upper house. The remainder of parliament, becoming the lower house, would then all be directly elected.

In the interim, pending the necessary constitutional referendum and subsequent elections, the King is expected to appoint a new-look government, possibly non-political in character, which might be able to count on support from the opposition. The aim would be to endow this administration with sufficiently broad-based authority to enable it to push ahead with pressing economic, administrative and education reforms.

Morocco's form of government is described as a constitutional monarchy, but it is one of its own kind. The King, from the dynasty of Alawite sultans which has ruled from the 17th century, appoints the government, consults the people by referendum, and has powers to dissolve parliament. "The people would not understand if the King did not govern," he has written. But if King Hassan continues to organise the game, he is anxious to get everyone to play.

The opposition turned down his offers because certain key posts were reserved for palace appointees – especially that of the powerful and long-standing interior minister, Mr Driss Basri. Opposition parties also feared losing credibility if they agreed to go into government without a democratically-elected majority behind them.

After giving up on his second attempt at *alternance* – or alternation, the code word for drawing in the elected opposition – the King appointed a reshuffled government of generally technocratic tint in February, keeping Mr Abdellatif Filali, who assumed the post of prime minister in May last year in conjunction with his previous job of foreign minister. Under the new scenario, however, he is expected to make way for a new government leader with a clear mandate to implement changes.



"The people would not understand if the King [above] did not govern"

Palace officials are encouraged by signs that the opposition parties may be prepared to change their stance in response to the reform initiative. Writing in the newspaper Libération, Mr Mohamed Lahbabi, a member of the political bureau of the Socialist Union of Popular Forces (USFP) party, the largest left-wing group in parliament, called recently for "a serious contract" between the King and elected representatives, with clearly defined goals.

Soon afterwards, Mr M'hamed Boucetta, a veteran former foreign minister and leader of the Istiqlal party, the nationalist movement which originated in the struggle for independence against the French, said in an interview that he did not rule out consultations with the King on the idea of a reform-oriented government "to clarify the ways and means of getting there".

The principal opposition parties have renewed a previous alliance, pledging to co-ordinate their action. A rather unnatural combination of traditionalist and socialist forces, this Koutla "democratic bloc" brings together the USFP, the Istiqlal Party, the Progress and Socialism Party (PPS – formerly the Communists) and the leftwing Organisation of Democratic and Popular Action (OADP).

As a sign of increasing political liberalisation, Mr Mohamed Basri has returned to Morocco. He was allowed back in June after spending almost three decades in exile while facing several death sentences.

The easing of political conditions has coincided with a strengthening of parliament's role and efforts at increased devolution by giving more powers to communal councils (although the World Bank has found that there are few people at local level qualified to exercise these responsibilities). The new second chamber could be regionally-based.

The existence of a multi-party system, with relative press freedom, provides channels for political discontent that might otherwise become the preserve of fundamentalist movements. Among the parliamentary parties the nationalist, conservative Istiqlal attracts a degree of Islamist support. A close watch is kept on more radical religious movements, though none openly advocates violence on the Algerian model. No Islamist party is allowed to contest elections, and no challenge is permissible to the religious status of King Hassan as a descendant of the Prophet and Commander of the Believers.

About 50 people are still reckoned to be in prison in Morocco on politically-related charges – a number greatly reduced following an amnesty last year – and some two-thirds of these are Islamists. Mr Abdeslam Yassine, leader of Justice and Charity, the largest Islamist movement, was under house arrest in Salé, near Rabat, for more than five years until recently: during that time he was allowed to receive visits only from relatives and lawyers.

However, Mr Abdelaziz Bennani, president of the independent Moroccan Organisation of Human Rights, admits that fewer people are now subject to arbitrary measures.

One of the great uncertainties facing Morocco is the extent to which, with high youth unemployment, extra-parliamentary fundamentalist movements may be the rallying point for protests against the tough economic policies which are in store. As the country moves towards a more open political system, the mainstream parties must do more to increase their appeal to the younger generation of Moroccans.

■ **Western Sahara:** by David White

Slow progress on voting

No dissent is tolerated, yet the referendum deadline keeps slipping

Twenty years after the Green March – in which 350,000 unarmed civilians staked Morocco's claim to the Western Sahara and ushered in the end of 90 years of Spanish presence – the territory's status is still unresolved.

Fighting between the Algerian-backed independence forces of the Polisario Front and greatly superior Moroccan troops ended with a ceasefire four years ago, but the planned referendum to choose between nationhood and integration with Morocco has been repeatedly postponed.

It is still unclear when it will be happen. The referendum should have occurred in 1992. Then it was supposed to take place last February. The latest target date is January 1996, but the deadline is slipping again.

The process is held up mainly by the question of who is eligible to vote. Agreement is also required on a code of conduct, release of prisoners, and troop dispositions before the vote can be held.

A UN force – Minurso – was dispatched in 1991 to organise the referendum. It currently has about 350 military personnel and 150 civilians, making painfully slow progress in drawing up a voter list. The Polisario accuses Morocco of trying to rig the vote by padding the list with new settlers. Recently, because of the row, only one out of 10 registration centres has been working, according to UN officials in the territory's capital, Laayoune.

The Moroccan authorities only see one possible outcome to the vote, which they regard as "a referendum of confirmation". Morocco has never enthused about the referendum idea, although it accepted the principle in 1981 and along with the Polisario agreed to the UN's plan for a peace settlement based on a ballot in 1988. Officials in Rabat say they want it "as soon as possible", but it is clear that Morocco would not accept a vote it did not feel assured of winning. Indeed, it is difficult for it to contemplate anything but an overwhelming victory.

That the Sahara is Moroccan and will remain so is an untouchable canon of the country's political system, along with the role of the King and the status of Islam. It is an issue on which no dissent is tolerated, and a rallying point for support from all political parties.

Last month, King Hassan reacted strongly to suggestions by Mr Boutros Boutros-Ghali, the UN secretary-general, to accelerate the electoral process by going back to the last official census carried out by the Spanish in 1974. This would mean bypassing the interview panel procedures, including elders from tribal groups being used to vet would-be voters.

Commemorating "our glorious Green March" – which he described as "a school of patriotism" – he said Morocco would not tolerate having anything added to or taken away from the peace plan. If the plan was not strictly respected, he stated, "we no longer want a referendum". In case anyone might still have any doubts, he added: "The Sahara is Moroccan and will remain so whether others wish it or not."

Opposition parties voiced "total support" and "satisfaction" and saluted the King's "firm and positive position". The daily L'Opinion, organ of the nationalist Istiqlal party, joined the refrain: "Morocco is at home in the Sahara, which will remain Moroccan forever."

The New York-based Human Rights Watch has accused the Moroccan authorities of interfering with preparations for the referendum by preventing people from going to registration centres or complaining to UN officials. In June the Polisario pulled out of the process when a military court handed down jail sentences of 15-20 years to eight students arrested for demonstrating in favour of independence in Laayoune. They rejoined only the following month after King Hassan, under pressure from foreign governments and domestic human rights campaigners, intervened to reduce the sentences to one year.

The registration dispute focuses on a list of 100,000 names of would-be voters submitted by Morocco, in addition to its initial list of 80,000. Rabat argues that many people were forced out of the territory by the Spanish colonial power and were not there to be counted in 1974. The census put the total population at 74,000. The Polisario, for its part, has put forward some 40,000 names.

UN officials say they are still far from clear how many Sahrawis there may be – including in camps over the Algeria border, where there are thought to be some 45,000. There are also Sahrawis in Mauritania who need to be counted in. Although there is, increasingly, a sedentary population in the coastal towns, the inhabitants are nomadic tribes for which borders and places of birth have little importance.

The more delay there is in deciding the issue, the more time Morocco has to consolidate its control over the territory, which is roughly the size of the UK. Its de facto jurisdiction is recognised in the agreements it has made with both the EU and Russia granting licences to fish in Saharan waters. Morocco has built up Laayoune – the former Spanish headquarters of El Aaiún – into a thrusting, well-equipped modern town bristling with television satellite dishes.

Before the Spanish colonial era, although Moroccan sultans claimed suzerainty over this vast southern region, it enjoyed a large degree of autonomy. Rabat officials say the "specific character" of the Sahara would need to be recognised in the future administrative structure, implying a special regional status with some devolution of powers.

■ **Tourism:** by Roula Khalaf

Visitors fail to find paradise

Prices are relatively high and the country is only now realising that it is too upmarket

What strikes a tourist in Marrakesh on a sunny December weekend is the absence of other fellow visitors. The souks are bustling with activity, but the shoppers are mostly locals taking their children for afternoon strolls in the market. They keep away from the food stands and spend little money in the tourist shops.

Morocco, with its natural beauty stretching from the snow-capped Atlas mountains to the Saharan desert, its historical sites and kasbahs, should be a tourist's paradise. Unfortunately, the tourism sector has been badly managed and has lacked any semblance of a development strategy. As the country's tourism ministry has seen minister after minister come and go, private sector professionals with little experience have thrown away millions on grandiose projects for which they failed to attract enough visitors.

"The administration was to blame in the past but since 1983 the private sector has been responsible," says Mr Mustapha El Alaoui, general secretary at the tourism ministry.

Four years after the tourism slump that hit the region during the Gulf war in 1991, Moroccan tourism has yet to recover. The total number of tourists (excluding Algerians) has stagnated at no more than 1.6m a year. "Because the numbers did not increase, the quality dropped, so did our promotion and the maintenance of our facilities," admits Mr Alaoui.

The crisis in neighbouring Algeria is only one factor that keeps away tourists who fail to differentiate between one Maghreb country and the next. Another is the fact that unlike Tunisia, which receives more than 3m visitors, Morocco opted for luxury tourism, building four- and five-star hotels which, tourists complain, often offer three-star service.

"We have a coastline that stretches over 3,800km yet we have not developed many seaside resorts; the only one we have is Agadir," laments Mr Mohamed Benamour, president of a new national tourism federation. Mass tourism would require at least 250,000 beds when Morocco now has only 120,000. Moreover, more than a third of the beds are over 20 years old and thus in need of renovation, which Mr Benamour estimates would cost $50m to $60m.

"And we are expensive," adds Mr Benamour. "You can get to the Bahamas from London for the same price." Because Royal Air Maroc, the state-owned national carrier, until very recently kept prices high and had agreements with other airlines to follow the same strategy, a one-week package to Morocco cost more than a trip to Tunisia, Turkey or Greece.

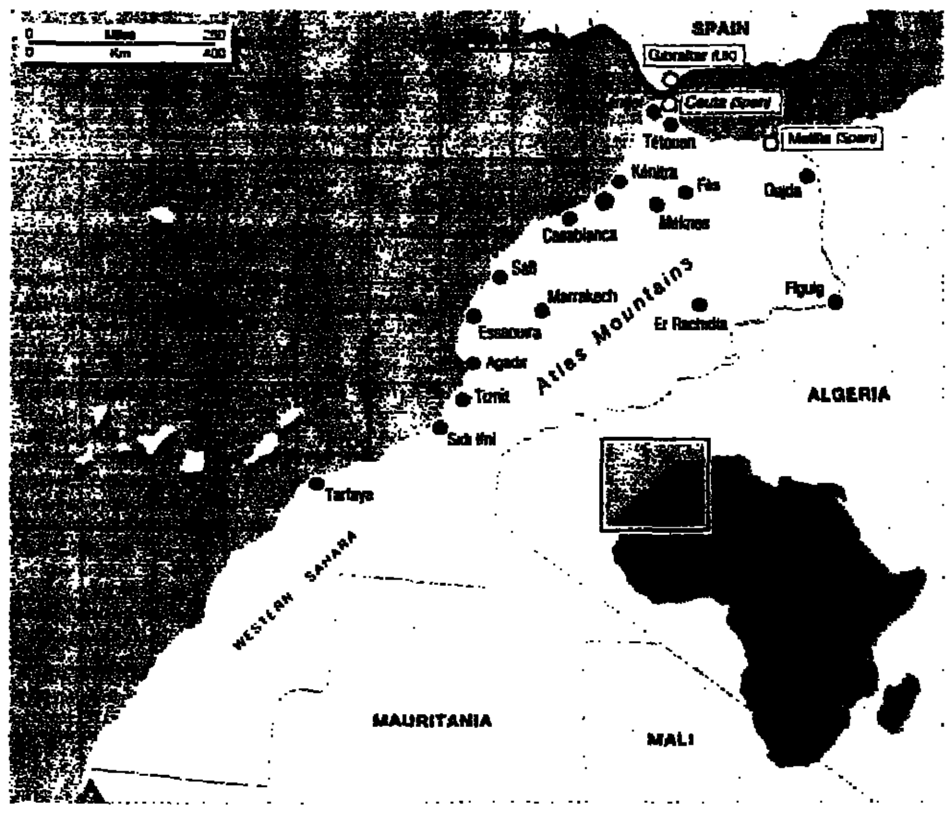
The results of a recent survey conducted by the ministry of tourism are hardly encouraging. It showed that 32 per cent of visitors were dissatisfied with hygiene, 14 per cent with the food and 9 per cent with the accommodation. Tourists often complain of harassment in bazaars where shopkeepers will do anything to lure them in and then overcharge them. Finding a taxi with a meter that works is a rare event in Casablanca. The tourism ministry says it is taking such complaints seriously and will soon set up a special brigade to check store owners and other Moroccans who are liable to cheat tourists.

If Moroccan tourism seems to be hitting a low point in 1995 – the number of non-Maghreb tourists was down 10 per cent and receipts, standing at DH6.5bn, were down nearly 15 per cent – this is also the year it is promising radical change. The slump this year can be partly attributed to a summer 1994 attack on a hotel in Marrakesh, but as Mr Benamour says, the blow could have been lessened had the government known how to handle an advertising and promotion campaign in the aftermath of the attack.

The tourism sector now seems to have recognised that, though it accounts for 7 per cent of GDP and 6 per cent of employment, and is the second largest foreign exchange earner after workers' remittances, it has yet to fulfil its potential. Noticeable changes are already taking place. For example, Royal Air Maroc has been forced to cut prices heavily, making Morocco a more competitive destination for European tourists, which make up the majority of visitors.

Meanwhile, for the first time the private sector has pooled resources to set up a national tourism federation which is helping to devise a development plan. From now on, the federation will have a say in government promotional campaigns.

The industry's target is to reach 10 per cent yearly growth until the year 2000 and 5 to 10 per cent for the following decade, with the total number of tourists reaching 7.7m in 2010. Such growth should be achieved with an investment of DH10bn in the first five years, which would be used to renovate 25 per cent of the hotels and develop infrastructure for seaside resorts that can attract mass tourism.



■ **Relations with Spain:** by David White

The end of the line may be near

Fishing was just the crowning dispute in a touchy relationship across the strait

"It's certainly the last agreement," says Mr Mustapha Sahel, Morocco's fisheries minister. And that, after a deal which took seven bitter months to conclude, is the last thing that Spanish fishermen depending on the rich waters off Morocco want to hear.

An accord renewing fishing rights at a reduced level for the EU fleet – the bulk of it Spanish – was finally struck last month. Spanish boats were confined to port from the beginning of May to the end of November as the intermittent negotiations went on, while reprisals by angry Andalucians against Moroccan goods brought relations between the two countries to their lowest point for at least a decade.

The fishery access agreement is the most important bilateral arrangement of its kind in the world. With 2,000 miles of coast, Morocco's territorial waters, along with those of the Western Sahara, are abundant in sardines, mackerel, anchovies, tuna, hake, sea-bream, sole, squid, octopus and shrimp. The country's fisheries sector is officially reckoned to account for 400,000 direct or indirect jobs and a fleet of 3,000 boats. Up to 40,000 Spaniards also depend on these grounds for their livelihood, mostly based in Andalucia and the Canary Islands.

Large Spanish "industrial" vessels, mostly with Galician owners but working out of the Canaries, are the most affected by the agreement, with their catches of squid, octopus and cuttlefish due to be cut by almost 40 per cent over the four-year life of the new agreement. But there is some relief in Spain that the cuts were not more drastic. For months, Moroccan negotiators were insisting on reductions of up to 65 per cent. "It's not a great agreement," says a Spanish fisheries official, "but it's the best we could have hoped for."

The Spanish, who have a long tradition of fishing off Morocco, are not the only presence these days, but they far outnumber the Russians and Japanese, which have between 20 and 30 vessels each operating in Moroccan waters.

Since the late 1970s negotiations over Spanish access – a task which switched to the European Commission after Spain joined the EU 10 years ago – have always been tough. The last agreement, signed in 1992, took 13 rounds of talks. Last year, Morocco decided to cut it short by a year, invoking a mid-term revision clause that the Spanish reckoned was designed for minor adjustments rather than a wholesale overhaul.

In the new agreement, the EU managed to get a fixed four years, instead of the three years that Rabat was seeking. There is no mid-term review clause. But neither – a significant difference from the last accord – is there a clause foreseeing renewal at the end of the period.

The Spanish hope a way can be found of continuing to fish after 1999, though their activity will inevitably be reduced. Mr Jacques Santer, the Commission president, wrote to King Hassan after the accord underlining the need for "an effective restructuring" and expressing the hope that the EU fleet could be "less dependent on access to Moroccan waters".

But Mr Sahel goes further. His aim is that Morocco's fishery sector should become capable "on its own" of exploiting the fishing grounds. The Ecu500m ($650m) EU financial contribution attached to the accord will be used in part to improve storage and refrigeration facilities. A new research institute is to be set up. Boat-building yards are to be developed to modernise the large inshore fishing business, enabling fishermen to go further afield. This would help to reduce pressure on stocks of juvenile fish near the coast.

Fish catches (in metric tonnes)

Year	Inshore catch	Deep-sea catch
1989	410,070	112,047
1990	427,650	133,396
1991	442,931	147,838
1992	414,202	131,500
1993	474,792	144,805
1994	608,939	134,600

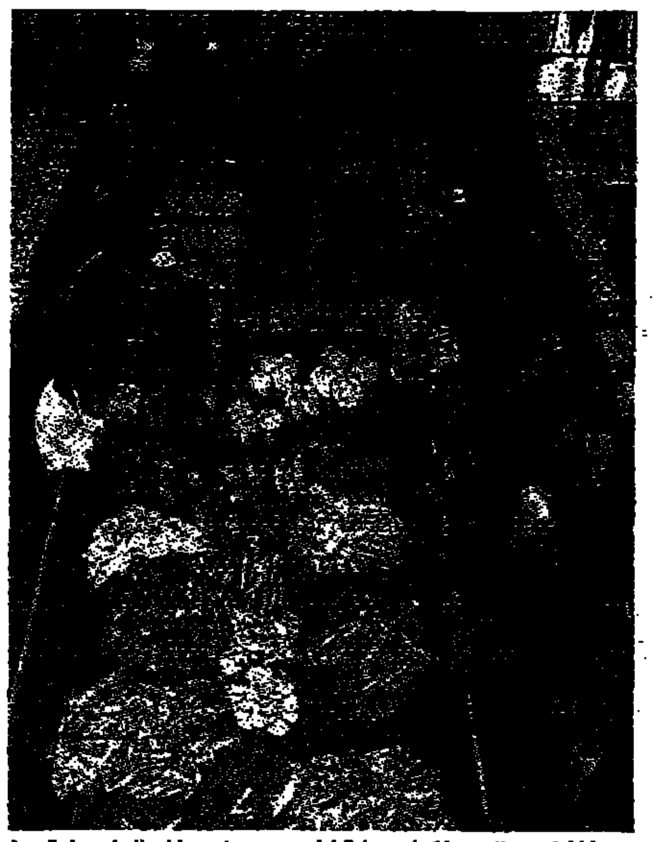
Source: Ministry of Fisheries and Merchant Marine

The only option for the Spanish may be to seek joint ventures in Morocco, such as they have in Argentina and Angola. Under current rules, they would be limited to 50 per cent participation in a fishing venture, with three-quarters of the jobs held by Moroccans.

The latest agreement reduces the number of licensed EU boats from over 600 to 477 at the end of the four years, with a gradual increase in fees from the second year. Some Spanish fishermen do better, with increased quotas for certain species and access to new areas, but most face cuts. Spanish boats will also have to take on some 950 Moroccan crew, about one in six. Most of the fleet will continue to land fish in Spain, but some of the larger boats – 25 in the last year of the agreement – must unload their catches in Agadir.

This Moroccan demand was one of the sticking points in the negotiations. Rabat officials said it was "an economic imperative" to route frozen fish through Morocco. The Spanish argued that Morocco should concentrate first on developing facilities that could compete in an open market.

It has been a bad year for Morocco's relations with its European neighbour, less than nine miles away across the Strait of Gibraltar. Its adamant stance over fishing reflected a variety of factors – a crisis in the sector, domestic political interests, economic troubles, frustration with the EU over delays in securing an association agreement, and echoes from the colonial past (the protectorate arrangement which shared Morocco between France and Spain).



Agadir boasts the biggest commercial fish market in north-west Africa

Economic ties have built up apace over the past few years, with Spain making up ground on France's position as Morocco's chief partner and with hundreds of Spanish companies present. Next year, the two countries' electricity networks are due to be linked by an underwater cable, and the $1.4bn gas pipeline from Algeria, through Morocco and across the strait to Córdoba, should be operational.

But it is also a touchy relationship. This year exposed Moroccan nerves on a series of issues – from conditions of EU market access for farm products which compete with Spain's to the ever-sensitive question of Spain's two enclaves, Ceuta and Melilla. New Spanish statutes for governing the enclaves provoked a reassertion of Morocco's claims over what it regards as Africa's last colonies.

The Spanish, who consider Ceuta and Melilla as long-standing parts of Spain, have been wary about King Hassan's proposal of a committee to seek a settlement. Other incidents involved a Spanish legal case against Rabat's consul in Málaga over the treatment of a Moroccan dissident, controls against illegal immigration and precautions against the spread of cholera, all of which were taken badly by Morocco. Fishing was the crowning dispute.

Morocco said the bad shape of its fisheries sector was due to EU overfishing. Boat-owners accused the Spanish of acting like vacuum-cleaners on fish stocks. The positions of the two sides appeared irreconcilable, and negotiations broke off in August. But then, with the King's intervention, another negotiating team was detailed to conclude a pact and, linked to it, the EU association agreement. Moroccan officials say they achieved most of what they sought, including two-thirds of the catch reductions initially demanded. Mr Sahel says the final agreement still provides "reasonable safeguards" for preserving stocks.

Spanish fishermen are, on the whole, relieved. They are pinning hopes for the future on the thesis that Morocco will see it as being in its own interest to keep accommodating them. But Mr Sahel says a break has already been made with past practice. "We are gearing ourselves to the possibility of exploiting our resources by our own means."

■ **Agriculture:** by Roula Khalaf

At the mercy of rainfall

The sector provides almost half the country's jobs but less than a fifth of its wealth

Rain brings smiles to Moroccan faces. The more it poured earlier this month, the more reassured Moroccans became that the disastrous agricultural year they have endured, with one of the century's most severe droughts, will not be repeated in 1996. Agricultural production is down an estimated 55 per cent this year, and the sector will drag down gross domestic product growth to a negative 5 per cent. This is the third year of drought since 1990.

Despite attempts at diversifying from agriculture, the sector still dominates the Moroccan economy, not so much in terms of its contribution to production – which is less than 20 per cent – but because it continues to be the biggest source of employment, accounting for nearly half the active population. Yet rural areas have been largely left out of the buoyant economic development of the cities, leading the World Bank to compare their social indicators to sub-Saharan levels.

"We are lucky to be able to maintain more than 40 per cent of the population in rural areas, which reduces pressures on urban areas," notes Mr Hassan Abou Ayoub, the minister of agriculture. "But we pay a price for that."

The reason Morocco continues to pay a high price is that, in addition to being at the mercy of rainfall, its agricultural sector faces many constraints. Only 34 per cent of agricultural land is considered a favourable zone, with yearly precipitation levels of more than 400mm, with another 15 per cent receiving between 300mm and 400mm. Farmers, however, still attempt to cultivate unsuitable land, often producing poor harvests. Wheat, barley, beans and sugar beet account for 80 per cent of cropland use.

Moreover, about 85 per cent of farm land is private, with the remainder owned by tribes and religious groups and often inefficiently cultivated. On private land, inheritance laws and tradition intensify fragmentation and reduce the appetite for investment. Only 1 per cent of farms cover more than 50 hectares and these produce the bulk of exports. Most of the rest are under 3 hectares. The resulting lack of economies of scale translates into low productivity.

In the last three decades, the Moroccan government has implemented several irrigation and hydroelectric projects to make full use of the 21bn cubic metres in annual water potential. Nearly 1m hectares, or 10 per cent of farmland, is already irrigated and ministry officials say irrigated land cannot reach more than 1.2m hectares.

The more the country suffers from drought, the more credit for agriculture becomes difficult to obtain as the national agricultural credit bank is forced to reschedule all farmers' debt. Three years of drought since 1990 are leading the government to rethink the bank's role. "We either think of it as a real bank, in which case it would not lend as much or consider it as a social service and have the state underwrite its losses," says one official. The Moroccan government is testing a new insurance scheme, which would allow farmers to use the insurance to repay the bank.

Given such constraints, the Moroccan government and the private sector have their work cut out. Attention is focused first on ameliorating the sector's performance. Mr Abou Ayoub recognises the need to increase yield crops in good as well as bad years. He reckons that, if some people can be encouraged to leave the land or engage in other activities, farms may be consolidated.

Since the irrigated surface is not likely to increase dramatically, the focus must be on better irrigation techniques. But these require financial resources for research and development which the public sector, forced to continue reducing expenses and committed to controlling its budget deficit, can ill afford.

Mr Abdelhamid Bousta of Frumat, the country's largest producer of orange juice, says that because of its scarce water resources, the agricultural sector should concentrate on products requiring less water consumption as well as on the needs of the local market instead of exports. For example, the agro-industry, which loses access to raw materials during years of drought, plans to diversify by relying less on local resources and buying concentrates from abroad.

Ultimately, however, the dependence on agriculture can be alleviated only if jobs are created elsewhere for the rural population. "The problem is linked to insufficient growth in other sectors," says Mr Abou Ayoub. So far non-agricultural growth has been insufficient, standing at around 4 per cent a year. Manufacturing and tourism are often mentioned as sectors that should be able to absorb lost employment in agriculture. Tourism, however, has yet to take off, with receipts down 15 per cent this year, while industrial exports have stagnated at no more than 40 per cent of total exports in the past five years.

Another way to reduce agriculture's dominance is to urbanise rural areas, an effort which again requires infrastructure investment. "We need to promote non-agricultural activities," says Mr Abou Ayoub. "But this requires better electricity, roads, education and vocational training."

The association agreement with the European Union, initialled in November, serves only to reinforce Morocco's need to diversify. Although agriculture dominated discussions over the accord, agricultural exports account for only 16 per cent of total exports, and a similar percentage of total imports.

Moroccan negotiators were able to raise the level of exports allowed into the EU in the agreement but were disappointed to find that free trade with Europe does not extend to the agricultural sector since products compete directly with those of Spain and Portugal. "Although we got more than what we had in terms of numbers, this is hardly encouraging for the sector," says an official.

Copper prices 'to remain firm for next two months'

By Kenneth Gooding, Mining Correspondent

Copper prices will remain buoyed up for another two months by a tightness in supplies for immediate delivery, analysts suggest. But then there will be a sharp fall in London Metal Exchange cash prices.

The global copper market has already slipped quietly into a supply surplus, says the Bloomsbury Minerals Economics consultancy organisation. Its forecasts indicate "a long period of copper market surpluses."

BME says it is reasonable to assume that western world copper consumption will show annual growth of 3.5 per cent, or slightly more, for the next five years. Over that time eastern bloc consumption is likely to grow at 4 to 5 per cent a year, implying a global annual consumption growth trend in the 3.5 to 4 per cent range to the year 2000.

However, says Mr Peter Hollands, editor of BME's Copper Briefing Service newsletter, "this does not mean that prices will remain high. Many large new mines are due on stream over the next five years and smelting and refining capacity will also be growing rapidly." He suggests copper production looks likely to grow at more than 4 per cent a year.

BME forecasts that LME cash copper prices will slip to an average of $1.31 a pound ($2,887 a tonne) in the first quarter of 1996 from the 1995 average of $1.33 ($2,931 a tonne). By the fourth quarter the average price is likely to be below $1 ($2,204). For 1966 as a whole, BME suggests the cash copper price will average $1.16 a pound ($2,556).

LME traders said nervousness over the copper price's future direction pervaded the market yesterday. Nevertheless, copper for immediate delivery jumped by $40.50 a tonne or nearly 1.4 per cent to $2,911 while three month copper was up $12.50 at $2,711 a tonne. So the backwardation, or premium for immediate delivery, increased from $172 to $200 a tonne.

The latest forecasts from the Economist Intelligence Unit consultancy group, like those from BME, also envisage copper prices falling steadily next year: from an average of $1.27 a pound in the first quarter to $1.02 in the final quarter. The EIU's latest Industrial Raw Materials publication, suggests copper will average $1.15 a pound next year but fall to well under $1 in 1997.

"Copper Briefing Service," £695 or US$1,095 a year from BME, 70 Marchmont Street, London WC1N 1AB, UK.

"World Commodity Forecasts: Industrial raw materials," £299 or US$575 a year from the EIU, 15 Regent Street, London SW1Y 4LR, UK.

Official auctions would revive torpid gold market, says UBS

By Kenneth Gooding, Mining Correspondent

The becalmed gold market would see renewed price volatility if central banks reintroduced official gold auctions, the Union Bank of Switzerland argues in its latest Precious Metals Outlook publication.

"The market must heal itself. And the most effective treatment is to improve stock control. This means lifting the shadow of central bank sales, removing the overhang of some of the stalest long positions in the market as quickly as possible by reintroducing official gold auctions," says Mr Andy Smith, the UBS analyst.

He admits that some of the big central bank gold holders – the US, Switzerland, France, Germany and, probably, Italy – would have nothing to do with the idea. But this would still leave 1,800 to 2,500 tonnes of central bank gold available for auction.

Official gold sales are at present running at about 400 tonnes a year. So the sale over two years of 1,800 tonnes would compress four to five years of normal official disposals into that time.

Mr Smith estimates that in the short term gold prices might fall by $30 to $50 a troy ounce but in three months to two years the price would recoup most, if not all, its initial loss. Meanwhile, "price volatility might be double digits, at least around auction time."

He says speculative interest in gold would revive as expectations and results were compared auction by auction. Physical demand would soar as prices initially settled in the $330 to $350 an ounce range.

Mr Smith recalls that 1,223 tonnes of gold was sold between 1976 and 1980 by the International Monetary Fund and the US Treasury. Average selling prices rose from $122 an ounce in the first five IMF auctions to $580 an ounce in the last five. "More often than not auctions appeared to fuel the bull market: in the ten days following sales, price rises dominated price falls by two to one in the case of the IMF and by three to one for US Treasury auctions."

Meanwhile, UBS is forecasting that the gold price might reach $400 an ounce in three months time but it will then sink back to $365 in one year's time.

Pursuit of the delicious and nutritious

Sales to a game dealer can cover only a fraction of the cost of the joys of shooting

When winter comes and work is done there are few more pleasant pastimes for countrymen than a day's shooting. The anticipation is almost as good as the reality.

The evening before the day the gun gets a final wipe; cartridges are decanted from box to initialled bag; thermal underwear and long socks are retrieved from the airing cupboard and "plus twos" from the wardrobe. The faithful Labrador which enjoys the sport as much as his master sees the preparations and wags its tail in eager expectation.

FARMER'S VIEWPOINT

By David Richardson

Next morning frost covers the land. Every tree and twig, every blade of grass and leaf of autumn planted wheat is delicately outlined in white. A weak sun shines from a hazy sky. It is going to be a beautiful day.

Arriving at the host's house a few minutes after 9am eight friends who know one another very well. But that makes no difference; the formal ceremony of shaking hands takes place as if between strangers. The host's wife suggests a cup of coffee – "and a little something in it to warm you?" she enquires. Soon after the friendly banter which will characterise the day begins.

But before the action can start there is more formality – drawing numbers which, by a pre-determined system, governs the various positions of each "gun" in the line for the rest of the day. Each "gun" - that is the person who uses it, not the instrument itself - selects an anonymous bone (like a collar stiffener) from a small wallet proffered by the host. The number on the side of the bone which was hidden when picked determines the position of the picker for the first drive.

Then follows "morning prayers" by the host. "No low birds please", he may say. "Don't shoot your neighbour's birds; favour cocks when there is a choice between them and hens; no ground game unless you are able to shoot a very safe fox - there are too many of them and we need to cull them down to reasonable numbers.

There will be a horn to start each drive and another to end it. No shooting at any other time. Move two numbers after each drive. I hope you all have an enjoyable day."

At which point the "guns" return to their vehicles to "get rugged up". It promises to be a fine if chilly day, so no waterproof leggings are needed. But some wear them anyway for extra warmth.

Scarves, fingerless gloves, layered waistcoats, extra pullovers and the like are mixed and matched under the main outer coat. These vary from thick tweed to oiled fine weave, but all are variations of brown and green to blend with country colours and have copious pockets for cartridges.

Dogs are let out of the backs of cars and mill around smelling one another before the host calls "load up". Favourite gun transport in this area at present are ex-British Rail catering vans. But you might be carried in a horse box with bales of straw for seats or a converted corn trailer fitted with a canvas roof. Either way this is when good natured insults really begin to fly.

> **With an average of 37 per cent the protein content of a pheasant beats chicken and turkey by 7 to 8 per cent**

"Where did you get that new cap George?" "It must have been given to him – you wouldn't buy a thing like that." "He'd had the other one long enough – I expected he had a fire." And so on, each gun being picked on to receive his share of insults and return his own in turn for the rest of the day.

We arrive at the first drive. We pile out of the transporter, a mass of eager dogs between our legs, and go in search of our pegs - sticks with numbers inserted in a slit at the top which are normally supplied by farm supply firms as free gifts with animal feed or spray chemicals. The pegs surround one end of a piece of mixed woodland alongside which a strip of maize has been planted.

As if at an invisible signal the mood becomes serious again. We separate and stand behind our pegs, put there by the gamekeeper whose job it is to anticipate the flight path of any pheasants, partridges or woodcock in the cover in front of us.

The horn blows to indicate that he and the beaters have entered the wood some distance away to drive the birds towards and hopefully over the guns. It will probably be several minutes before they begin to fly.

As I wait I contemplate the hedge beside me, bereft of leaves but full of scarlet hip and haw berries. Further along is a small holly tree, also full of berries. Does this mean it will be a hard winter? Or was it because of the particularly favourable summer?

The tap tap of the beater's sticks echoes through the wood as they pick their way through the undergrowth calling "hi hi hi" and "brrrrr" as they do so. The keepers' dog gets too far in front of the line of beaters and he calls it back with a special dog whistle.

I contemplate the prospect of eating the brace of pheasants the host will give me at the end of the day to take home. I know they will be delicious and nutritious.

At an average protein content of around 28 per cent (partridge contain nearly 37 per cent protein) pheasant meat beats chicken and turkey by 7 to 8 per cent.

But game seems to be becoming unfashionable and demand is not brisk. Most game dealers will sell a brace of plucked and dressed pheasants which will feed 6 to 8 people for about £7.

For the landowner whose crops have fed them the price is much worse. £1.60 to £1.80 per brace seems to be the ex-farm norm this year. And when you consider that rearing a single bird, not a brace, is reckoned to cost about £11, and that, on average, 2 to 3 10p cartridges are shot for every bird killed on a shoot like this, the real cost of the hobby becomes clear.

Suddenly a cock pheasant breaks cover in front of me. With a loud tissick tissick he soars, wings throbbing, into the sky over my head. I take aim and fire. Missed! I fire the second barrel and miss again. The cock, bright red head held high and long tail feathers at a jaunty angle, flies majestically on to the wood behind me and to safety. Many of them do.

South American heat drives up soyabean futures

Laurie Morse in Chicago

With world grain stocks already forecast at historically tight levels next year, news that Southern Brazil and the soyabean-growing regions of Argentina are experiencing hot, dry weather drove Chicago soyabean futures to two-and-half year highs in an explosive rally.

Soyabean futures for March delivery were 13¼ cents per bushel higher at $7.43¾ in mid-day trade, having scored a contract high of $7.44¼ earlier.

Soyabean meal, a soyabean product used for high-protein animal feed, shared in the rally, with futures for March delivery hitting their highest level since 1993, at $238.00 per ton, up $4.80 from Friday's close.

The rally extends the advance in prices for most animal feed grains that began last August, when it became apparent that even with reasonably good US maize and soya harvests, world demand was about to overtake production.

"What's happening here is really more subtle than a one-day weather rally," said Mr. Dick Lowey, President of the consulting firm AgResources.

"Since 1988 we've seen steady increase in world demand for protein and vegetable oils and with the exception of 1993, we've had excellent crops."

Even so, he said, soyabean surpluses are thin, and any hint of crop problems anywhere in the world immediately incites concerns about shortages.

The US Department of Agriculture projects only 205m bushels of soyabeans will be "carried over" from this year's US crop. Private forecasters believe this is a liberal estimate, and peg the carry-over closer to 170m bushels, with stocks falling further, are problems with

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1655.5-6.5	1684-5
Previous	1671-2	1697-8
High/low	1650	1701/1679
AM Official	1647-8	1681.5-2.0
Kerb close		1688-9
Open int.	244,368	
Total daily turnover	122,734	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1425-35	1460-70
Previous	1420-30	1460-70
High/low		1465
AM Official	1415-25	1460-5
Kerb close		1470-5
Open int.	5,118	
Total daily turnover	886	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	702-3	703-4
Previous	704.5-5.5	707.5-8.0
High/low	702/701	706/698
AM Official	700-1	701.5-2.5
Kerb close		705-6
Open int.	35,986	
Total daily turnover	18,372	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8110-15	8230-40
Previous	8135-45	8255-65
High/low	-	8320/8225
AM Official	8110-11	8245-50
Kerb close		8255-60
Open int.	43,105	
Total daily turnover	13,212	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6270-80	6275-80
Previous	6300-90	6300-05
High/low	6260/6255	6285/6230
AM Official	6250-1	6250-5
Kerb close		6280-95
Open int.	14,667	
Total daily turnover	6,334	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1012-3	1038-9
Previous	1012.5-3.5	1038-9
High/low	1013	1040/1034
AM Official	1013-4	1038-9
Kerb close		1038-9
Open int.	83,219	
Total daily turnover	41,913	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2910-12	2710-12
Previous	2868-73	2698-99
High/low	2915/2905	2725/2708
AM Official	2910-15	2720-22
Kerb close		2720-1
Open int.	179,848	
Total daily turnover	155,852	

■ LME AM Official £/$ rate: 1.5392

LME Closing £/$ rate: 1.5429

Spot: 1.5395 3 mths: 1.5371 6 mths: 1.5345 9 mths: 1.5319

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	131.80	-1.35	133.15	130.40	1,762	3,798
Jan	129.20	-0.90	130.50	128.20	344	2,847
Feb	126.15	-0.75	126.00	126.00	9	1,052
Mar	123.15	-0.75	124.30	123.00	13,369	16,405
Apr	121.15	-0.75	-	-	4	596
May	119.65	-0.65	120.30	119.60	631	2,833
Total					16,888	35,587

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.10-387.50		
Opening	386.50-386.90		
Morning fix	387.00	251.544	448.185
Afternoon fix	387.20	251.808	446.248
Day's High	387.70-388.10		
Day's Low	386.50-386.90		
Previous close	386.20-386.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.07	6 months	2.97
2 months	2.46	12 months	3.00
3 months	2.65		

Silver Fix	p/troy oz.	US cts equiv.
Spot	334.70	515.00
3 months	339.30	521.20
6 months	343.70	527.05
1 year	352.50	538.55

Gold Coins	$ price	£ equiv.
Krugerrand	390-391	253-255
Maple Leaf	398.20-400.70	-
New Sovereign	400-402	260-262

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	387.5	+1.2	387.8	387.0	209	579
Feb	388.8	+1.0	389.9	387.4	18,250	52,821
Apr	390.4	+0.9	390.7	389.7	1,398	14,905
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	125.25	+1.25	124.85	124.50	133	888
Mar	127.25	+1.20	127.40	126.25	229	2,496
May	129.15	+1.15	129.40	128.25	152	3,345
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

■ BARLEY LCE (£ per tonne) — [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

■ POTATOES LCE (£/tonne) — [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	881	-5	895	880	24	99
Mar	917	-16	931	913	4,716	36,444
May	936	-16	949	934	564	14,237
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

■ COCOA (ICCO) (SDR's/tonne) — [illegible]

■ COFFEE LCE ($/tonne) — [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

■ COFFEE (ICO) (US cents/pound) — [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) — [illegible]

■ WHITE SUGAR LCE ($/tonne) — [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) — [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) — [illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) — [illegible]

■ CRB Futures (Base: 1967=100) — [illegible]

■ GSCI Spot (Base: 1970=100) — [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.275	-0.325	67.650	67.250	2,185	4,486
Feb	67.550	-0.250	67.900	67.300	6,686	28,884
Apr	67.275	-0.525	67.600	67.100	1,851	16,305
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) — [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) — [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts —

■ ALUMINIUM (99.7%) LME — [illegible]

■ COPPER (Grade A) LME — [illegible]

■ COFFEE LCE — [illegible]

■ COCOA LCE	Mar	May	Mar	May
850	73	96	6	16
875	54	77	12	24
900	38	60	21	35

■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1650	-	-	-	16
1700	93	69	11	29
1750	50	47	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)		+or-
Dubai	$16.91-6.96w	+0.21
Brent Blend (dated)	$18.14-8.16	+0.18
Brent Blend (Feb)	$17.89-7.91	+0.23
W.T.I. (1pm est)	$19.07-9.08w	+0.155

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$170-172	
Gas Oil	$176-177	+1
Heavy Fuel Oil	$101-103	+1
Naphtha	$161-164	+1.5
Jet fuel	$197-199	-2
Diesel	$179-180	-1

Petroleum Argus. Tel. London (0171) 359 8792

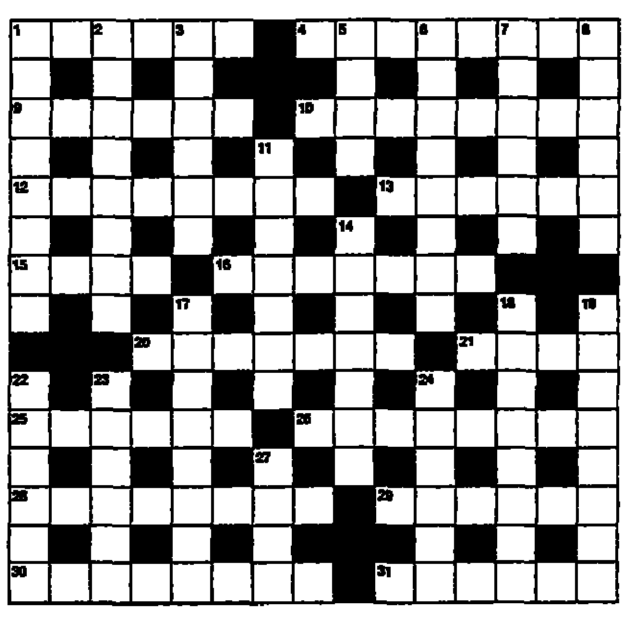
■ OTHER		
Gold (per troy oz)♣	$387.30	+0.90
Silver (per troy oz)♣	517.5c	+5.5
Platinum (per troy oz.)	$407.90	+3.65
Palladium (per troy oz.)	$131.50	+0.75
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.84m	-0.18
Tin (New York)	299.0c	
Cattle (live weight)†	119.18p	+1.76*
Sheep (live weight)†♠	118.53p	-0.43*
Pigs (live weight)†	119.32p	+12.46*
Lon. day sugar (raw)	$306.4	+0.5
Lon. day sugar (wte)	$377.0	
Barley (Eng. feed)	£117.75z	-3.50
Maize (US No3 Yellow)	$150.5z	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	109.00p	-3.0
Rubber (Feb)♥	109.00p	-3.0
Rubber (KL RSS No1)	413.0m	-9.0
Coconut Oil (Phil)§	$720.0y	+5.0
Palm Oil (Malay.)§	$582.5z	-2.5
Copra (Phil)§	460.0u	
Soyabeans (US)	207.0z	-3.0
Cotton Outlook'A' index	87.85c	-0.25
Wooltops (64s Super)	440p	+2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Dec/Jan.♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,948 Set by DOGBERRY



ACROSS

1 Burning to get skill without study (6)
4 Animal legislator not all there in the trade centre (8)
9 Fruit with excessively dull inside (6)
10 Economists, overweight, about to get high (8)
12 Ruin fastener on an icer's material (8)
13 Volunteers to split smart mineral (6)
15 "No tar" to become standard (4)
16 Slaughter in group with pan (7)
20 Train to study species (7)
21 Kitty's in the water (4)
25 Identify E as seventh note (6)
26 Make a friend by the book (8)
28 Good number carrying a boy back to city (8)
29 Country girl is allowed to lead (6)
30 Fabric-worker's rank (8)
31 Honour eternally in scripture (6)

DOWN

1 Athenian dividing unspecified element (6)
2 Brought up a singular sea of rum (8)
3 Rodent in a rut going mad (6)
5 Faith in a retainer? (4)
6 What Molière wrote about French name – hardly *le mot juste* (8)
7 Tyrant occupied throne to musical monologue (6)
8 Left over honey one removed from cup (6)
11 Sentimental Sikh modified underbelly (7)
14 Resounding summons to extended family to surround capital (7)
17 Joke in Metro involved loan scheme (6)
18 Firm faecal deposit at end of pit (4-4)
19 Sporting partner put down gym equipment in gym (8)
22 Bearer of higher messages (6)
23 Bean smuggler (6)
24 Stick to Caucasian self-description (6)
27 Principal concomitant of might (4)

Solution to Saturday's prize puzzle on Saturday December 30.
Solution to yesterday's prize puzzle on Tuesday January 2.

Hungary set to sell Budapest Bank stake

By Virginia Marsh in Budapest

Hungary was last night poised to sell a majority stake in Budapest Bank, one of its largest commercial banks, to GE Capital, the financial services arm of General Electric, and the European Bank for Reconstruction and Development.

GE Capital signed a memorandum of understanding to acquire Budapest Bank in October. Together with the EBRD, it is expected to buy a stake of about 60 per cent for $87m.

Senior GE Capital officials, including Mr Christopher MacKenzie, chief executive for the company in Europe, flew to Budapest late last week in the expectation that an agreement would be reached by Saturday. Mr MacKenzie and his team, however, left empty-handed prompting speculation the deal had collapsed.

Bankers close to the deal said the signing was blocked by a last-minute hitch which could only be resolved by Mr Lajos Bokros, finance minister. Mr Bokros, who headed Budapest Bank before joining the government last March, was away over the weekend.

Budapest Bank reported pre-tax profit of Ft2.51bn ($18.4m) last year on assets of Ft193bn. Like many Hungarian banks it has suffered from bad loans in recent years and required risk provisions of 15 per cent at the end of June this year.

The government last year injected Ft12bn worth of government securities into the bank, returnable unless a buyer could be found within a year. Hungary had hoped to sell Budapest Bank to Credit Suisse which won an international tender to negotiate for the bank ahead of ING last December. But the Swiss bank withdrew in March after conducting due diligence.

The purchase will be the latest in a string of European acquisitions by GE Capital, whose parent company is one of the largest investors in Hungary.

To date Hungary has sold just one large bank to a western bank. Last year it sold a 25 per cent plus one vote stake and management control of Magyar Kulkereskedelmi Bank, the foreign trade bank, to Bayerische Landesbank of Germany.

● General Electric, the US manufacturer, said it would raise its dividend re-purchase programme from $5bn to $9bn, writes Tony Jackson in New York. It also raised its dividend by 12 per cent to 46 cents a share, marking the 20th annual increase in a row.

GE Capital builds a European empire

Mr Gary Wendt, chairman of GE Capital, denies that he is working to a grand plan.

The US financial services group has been on a buying spree in Europe – most notably this year with the $1bn purchase of Frankona, a German reinsurance company, and the $1.5bn takeover of Sovac, a French finance group.

Yet Mr Wendt studiously refuses to cast deals such as these in terms of some over-arching game plan. Of the trans-Atlantic sortie, he merely says: "We went to Europe with one idea in mind, which was not to do anything stupid."

Despite such self-effacing comments, GE Capital's European empire is beginning to assume sizeable proportions. Following the purchase of Sovac, announced in October, its various businesses in the continent will have assets of $20bn.

They will generate profits of about $250m after tax this year, equivalent to a return on capital of 15 per cent, Mr Wendt says. That will rise to 18 per cent in 1996, he adds, putting them well on the way to the 20 per cent target all General Electric businesses are expected to hit.

With 24 separate businesses in the US, ranging from operating communications satellites to making consumer loans, GE Capital runs one of the country's most diverse financial groups. Some of its units – such as insuring residential mortgages – operate in businesses that have no counterpart outside the US and are likely to remain domestic businesses.

Others – automobile finance or private-label credit cards, for example – provide platforms for international growth. Since GE Capital first looked for expansion overseas eight years ago, the heads of these businesses have had the task of seeding their operations elsewhere around the world.

The pattern of this international expansion is determined in large part by the availability of acquisitions. The focus on Europe, for instance, has come in part because there have been companies there to buy, says Mr Wendt. In Asia, with fewer takeover opportunities, GE Capital's operations have been slower to develop.

The pace of expansion is also determined by opportunism. Renowned as an aggressive and timely buyer of financial businesses in the US, GE Capital has geared its European growth to the continent's financial traumas, and to a rationalisation and consolidation under way in its financial services industry.

The acquisition of a string of Scandinavian financial businesses two years ago took advantage of the banking crisis that gripped the region at the time. The Sovac purchase, meanwhile, follows a decision by the owners that they did not have the resources to develop the business alone. It also comes several years after Mr Wendt says he first proposed the idea.

Gary Wendt: GE Capital chief denies working to 'grand plan'

This opportunistic and broad-ranging approach is not restricted to western Europe: eastern Europe and post-devaluation Mexico are high on the list for possible expansion, says Mr Wendt. And despite the high hurdle rates set by GE for its investments, there have been ample deals to be pursued.

"Not doing anything stupid" also remains a powerful motivation. As other companies, whether US or European, have proved in the past, foreign acquisitions in the financial services industry have a tendency to sink under bad debts and other little-understood risks.

GE Capital's first European purchase – of a credit card business from the UK retailer Burton – brought with it a book of residential second mortgages which led to losses of "tens of millions of dollars", says Mr Wendt. "That taught us a lesson," he adds: the group now assumes risks abroad only in businesses it already runs, and understands, in the US.

A similar lesson was to be learned from the $1.2bn of losses GE sustained last year from Kidder Peabody, says Mr Wendt. GE disposed of the US investment bank after claiming it had been the victim of a massive fraud by trader Mr Joseph Jett and after sustaining losses in the 1994 bond market collapse.

Though denting GE Capital's earnings, Kidder reported for management purposes direct to GE, a result of the personal animosity between Mr Wendt and Mr Michael Carpenter, the former boss of Kidder. Mr Wendt also has had losses of his own from which to learn – as he disarmingly admits. These include damage sustained in the late 1980s and early 1990s in such once-fashionable areas as in leveraged buy-outs and mortgage-backed securities.

The international expansion comes as the rapid growth in GE Capital's US operations is beginning to slow. In the frenzy of consolidation under way in the US financial services industry – and with profitability at its cyclical peak – the price of acquisitions has risen sharply this year. GE Capital's US earnings are predicted to grow about 15 per cent this year, a third of it coming from acquisitions.

Though slower than recent years, that is enough to maintain GE Capital's position as the main engine of GE's profit growth. The financial services businesses now account for about a third of the group's profits – a proportion that is likely to creep up further in the next few years, says Mr Wendt.

And he scotches any suggestion that Mr Jack Welch, his boss at GE, will succumb to the faddish US enthusiasm for spinning off operations into separate companies. GE Capital "provides a large part of the excitement of owning GE shares", says Mr Wendt.

Richard Waters

US Treasuries fall sharply on fears over budget row

By Lisa Bransten in New York and Antonia Sharpe in London

US Treasury prices were sharply lower yesterday morning on fears that quarrelling in Washington over how to balance the federal budget would deter the Federal Reserve from lowering interest rates at today's meeting of its Open Market Committee.

Near midday, the long bond was $\frac{9}{16}$ lower at $109\frac{25}{32}$ to yield 6.155 per cent, the highest yield since November 29. At the short end, the two-year note fell $\frac{1}{32}$ to $99\frac{25}{32}$ to yield 5.373 per cent.

Earlier this month the market rallied as weak economic news suggested that the Fed might ease monetary policy this month or in January, even if President Bill Clinton and the Congress had not yet reached an accord to balance the budget.

But the growing acrimony in the debate, which led to a second government shutdown, worried investors that the central bank might not move unless there were clear signs of progress on the budget.

The yield curve steepened sharply as investors worried that the president and Congress would not reach an agreement to balance the budget. In early trading the curve that maps the spread between two-year notes and the long bond rose 6 basis points, to 78 basis points.

GOVERNMENT BONDS

■ Weaker US Treasuries ahead of the FOMC meeting weighed on European government bond markets. German bonds underperformed the higher-yielding markets, in response to last week's gains on the back of the Bundesbank's rate cut. This caused yield spreads to narrow slightly. But volume was thin as dealers stuck to the sidelines in the year's last trading week.

■ In the UK, gilts were little changed following news of a larger-than-expected public sector borrowing requirement for November, which came in at £3.7bn compared with market estimates in the region of £2.8bn. Analysts said the market would pay greater attention to the January data, which would include corporation tax and VAT receipts. On Liffe, the March long gilt future eased $\frac{3}{32}$ to 110% in scant volume of just under 33,000 contracts. The spread over Germany narrowed by about 2 basis points, to 148 basis points.

■ Italian bonds had a topsy-turvy day as the government faced two confidence votes on budget amendments. The March 10-year future traded between a low of 105.71 and a high of 106.46 before closing down 0.61 point at 105.86.

Global study of activity issued

By Conner Middelmann

The Bank of International Settlements, together with the central banks of Japan, the UK and the US, yesterday published the first global central bank survey of derivatives market activity.

The study, conducted in 26 countries earlier this year, deals mainly with the over-the-counter derivatives market, about which only limited information has been available to date.

It shows that the notional amount of OTC contracts stood at $40,700bn as of March 31 1995, while the gross market value – a measure of the funds put at risk under the transactions – was only $1,700bn, or 4.3 per cent of the notional amount. Average daily turnover in the global OTC foreign exchange and interest-rate markets in April totalled $830bn.

Most OTC activity was accounted for by "plain-vanilla" instruments: foreign exchange contracts accounted for some 59 per cent of gross market value of outstanding derivatives contracts, interest-rate contracts for 37 per cent and equity and commodity contracts for 3 per cent and 2 per cent, respectively.

DERIVATIVE INSTRUMENTS

Looking across all market risk categories, forward and swap-related transactions represented 83 per cent of outstanding OTC contracts in terms of notional amounts. The main instrument types were single-currency interest-rate swaps (45 per cent), foreign exchange forward and swap transactions (21 per cent) and forward rate agreements on interest rates (11 per cent).

According to the Bank of England, average daily OTC turnover in the UK was $74bn in April – mainly FRAs (47 per cent), interest rate swaps (25 per cent) and currency options (18 per cent). That represents only about 16 per cent of average daily turnover in the London foreign exchange market. The notional value of outstanding OTC contracts booked in the UK totalled $12,100bn as at end-March.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	110.7000	–0.220	8.41	8.30	8.62
Austria		6.500	11/05	100.4000	–0.160	6.44	6.57	6.86
Belgium		6.500	03/05	98.4900	–0.330	6.72	6.70	6.83
Canada *		8.750	12/05	109.7200	–0.400	7.35	7.36	7.59
Denmark		8.000	03/06	104.8400	–0.320	7.30	7.32	7.62
France	BTAN	7.750	04/00	108.8300	–0.280	5.91	6.00	6.27
	OAT	7.750	10/05	107.4800	–0.200	6.69	6.83	7.07
Germany Bund		6.500	10/05	102.8900	–0.540	6.10	6.10	6.36
Ireland		6.250	10/04	92.3000	–0.500	7.47	7.46	7.86
Italy		10.500	09/05	97.7100	+0.050	10.88†	10.90	11.32
Japan	No 129	6.400	03/00	120.2450	–0.090	1.35	1.29	1.52
	No 174	4.600	09/04	113.8750	–0.170	2.65	2.80	2.75
Netherlands		6.750	11/05	104.5100	–0.590	6.13	6.13	5.40
Portugal		11.875	02/05	111.1500	–0.250	9.95	10.21	11.05
Spain		10.150	01/06	100.4000	–0.460	9.90	10.11	10.65
Sweden		6.000	02/05	83.9840	+0.011	8.60	8.81	9.12
UK Gilts		8.000	12/00	104–31	–9/32	6.80	6.86	7.20
		8.500	12/05	107–08	–17/32	7.45	7.45	7.78
		9.000	10/08	111–07	–18/32	7.61	7.62	7.91
US Treasury *		5.875	11/05	100–17	–16/32	5.80	5.72	5.94
		6.875	08/25	109–25	–34/32	6.15	6.05	6.27
ECU (French Govt)		7.500	04/05	103.4400	–0.040	6.98	7.11	7.49

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.59	Two year	5.41
Prime rate	$8\frac{3}{4}$	Two month	5.49	Three year	5.46
Broker loan rate	$7\frac{1}{2}$	Three month	5.37	Five year	5.62
Fed.funds	$5\frac{3}{4}$	Six month	5.38	10-year	5.82
Fed.funds at intervention	-	One year	5.34	30-year	6.16

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.12	120.10	-	120.38	120.04	88,308	114,111
Jun	120.52	120.52	-	120.72	120.52	150	4,044
Sep	119.66	119.66	-	119.72	119.66	261	407

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Mar	PUTS Jun
118	-	2.57	-	-	0.46	-
119	-	1.85	-	0.11	0.74	-
120	0.47	1.18	1.96	0.38	1.12	1.45
121	0.11	0.72	1.48	-	1.61	1.89
122	0.02	0.44	1.02	-	-	-

Est. vol. total, Calls 12,333 Puts 17,836. Previous day's open int. Calls 143,407 Puts 146,220.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.20	98.79	-0.48	99.30	98.63	67511	213380
Jun	98.55	98.15	-0.46	98.55	98.17	197	1072

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9850	0.37	0.76	1.03	1.16	0.08	0.47	0.74	1.51
9900	0.09	0.50	0.77	0.93	0.30	0.71	0.98	1.78
9950	0.02	0.31	0.55	0.74	0.73	1.02	1.26	2.09

Est. vol. total, Calls 10784 Puts 9660. Previous day's open int., Calls 189918 Puts 176710

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.46	105.94	-0.53	106.46	105.71	19890	48561
Jun	106.00	105.54	-0.53	106.00	106.00	34	1092

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10550	1.93	2.64	1.49	2.60
10600	1.66	2.39	1.72	2.85
10650	1.42	2.17	1.98	3.13

Est. vol. total, Calls 2260 Puts 1431. Previous day's open int., Calls 38803 Puts 29699

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.92	94.47	–0.44	94.95	94.36	26,881	12,156
Mar	94.75	94.33	–0.53	94.83	94.28	29,859	40,737

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111-08	110-24	-0-17	111-08	110-26	1267	22781
Mar	110-24	110-12	-0-16	110-30	110-06	41240	125430

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
110	0-35	1-16	1-40	2-08	0-11	0-56	1-16	2-20
111	0-08	0-48	1-07	1-44	0-46	1-24	1-47	2-56
112	0-01	0-27	0-47	1-20	1-41	2-03	2-23	3-32

Est. vol. total, Calls 1555 Puts 1141. Previous day's open int., Calls 25761 Puts 26190

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.32	90.22	–0.02	90.40	90.16	965	5,838

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	119–26	119–02	–0–30	119–26	119–00	21,155	48,163
Mar	119–20	118–27	–0–30	119–20	118–24	167,038	363,732
Jun	118–20	118–13	–0–31	119–00	118–11	2,124	16,653

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	121.75	-	-	121.77	121.61	1160	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Dec 18	Day's change %	Fri Dec 15	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	123.08	–0.08	123.41	1.61	10.77
2 5-15 years (21)	149.96	–0.38	150.79	1.46	12.47
3 Over 15 years (8)	167.73	–0.46	168.51	2.25	13.13
4 Irredeemables (6)	193.22	–0.16	193.53	1.71	13.71
5 All stocks (58)	144.97	–0.29	145.61	1.57	12.10

	Low coupon yield Dec 18	Low Dec 15	Low Yr. ago	Medium coupon yield Dec 18	Medium Dec 15	Medium Yr. ago	High coupon yield Dec 18	High Dec 15	High Yr. ago
5 yrs	6.87	6.82	8.49	6.89	6.82	8.48	6.96	6.90	8.88
15 yrs	7.63	7.58	8.35	7.68	7.62	8.49	7.74	7.70	8.71
20 yrs	7.72	7.66	8.32	7.74	7.70	8.49	7.80	7.76	8.54
Irred.†	7.80	7.79	8.40						

Index-linked	Mon Dec 18	Day's change %	Fri Dec 15	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	195.97	–0.02	196.00	1.29	8.37
7 Over 5 years (11)	188.79	–0.22	189.36	0.93	5.10
8 All stocks (12)	188.82	–0.21	189.37	0.94	5.17

	Inflation 5% Dec 18	Dec 15	Yr. ago	Inflation 10% Dec 18	Dec 15	Yr. ago
Up to 5 yrs	2.51	2.50	3.99	1.26	1.24	2.68
Over 5 yrs	3.51	3.49	3.85	3.30	3.28	3.65

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Yr ago	High*	Low*
Govt. Secs. (UK)	95.93	96.10	96.05	95.97	95.89	91.97	96.22	90.22
Fixed interest	114.96	115.01	114.91	114.82	114.77	109.72	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11
Gilt Edged bargains	79.2	87.1	87.2	78.9	72.2
5-day average	80.9	81.1	82.1	87.0	93.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 18

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Sweden 8 97	2500	107	$107\frac{1}{8}$	$+\frac{1}{8}$	4.05
Abbey Natl Treasury 8 03 £	1000	$101\frac{3}{8}$	$101\frac{5}{8}$	$-\frac{1}{2}$	7.73
[illegible]					

SWISS FRANC STRAIGHTS · YEN STRAIGHTS · OTHER STRAIGHTS · DEUTSCHE MARK STRAIGHTS · FLOATING RATE NOTES · CONVERTIBLE BONDS

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 14pc 1996		13.90	6.32	$100\frac{23}{32}$xd	—	$106\frac{7}{8}$	$100\frac{23}{32}$
$15\frac{1}{4}$pc 1996‡‡		14.75	6.10	$103\frac{3}{8}$	—	$109\frac{5}{8}$	$103\frac{3}{8}$
Exch $13\frac{1}{4}$pc 1996‡‡		12.89	6.11	$102\frac{7}{8}$	—	$107\frac{1}{4}$	$102\frac{7}{8}$
Conversion 10pc 1996		9.67	6.09	$103\frac{1}{2}$	—	[illegible]	[illegible]
Treas $13\frac{1}{4}$pc 1997‡‡		12.33	6.09	[illegible]	[illegible]	[illegible]	[illegible]
Treas $12\frac{1}{2}$pc 2003-5		9.59	7.38	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8 $\frac{1}{2}$pc 2005‡‡		7.92	7.45	[illegible]	[illegible]	$108\frac{1}{8}$	[illegible]
$7\frac{1}{2}$pc 2006‡‡		7.48	7.47	$100\frac{1}{4}$	[illegible]	[illegible]	[illegible]
$7\frac{3}{4}$pc 2006‡‡		7.82	7.51	[illegible]	$-\frac{1}{2}$	$102\frac{1}{2}$	[illegible]
8pc 2002-6‡‡		7.73	7.52	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

Other Fixed Interest · Index-Linked · Undated

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CURRENCIES AND MONEY

MARKETS REPORT

US budget worries cast shadow over dollar

By Graham Bowley

A sharp sell-off in US stock and bond markets over worries about the US budget provoked a slide in the dollar on the foreign exchanges yesterday.

The Italian lira also came under pressure after prime minister Lamberto Dini postponed a confidence vote in parliament which appeared to delay further agreement on the Italian budget.

Victory for the communists and extreme nationalists in the Russian elections on Sunday had little effect on the rouble, which remained stable. The Swiss franc however rallied strongly as uncertainty surrounding the elections, the US budget and the US Federal Open Market Committee meeting today meant it benefited from its safe-haven status.

Confusion gripped the Ecu market over the rate at which the Ecu would be converted into the new European single currency, the Euro.

The dollar closed at DM1.4318 from DM1.443 at Friday's close. Against the yen, it finished at Y101.58, from Y102.1.

The lira finished at L1,115 against the D-Mark, from L1,106. The Swiss franc, which closed against the dollar at SFr1.164 on Friday, finished at SFr.1.1503.

The pound fell back as the D-Mark strengthened against most European currencies. It was also troubled by figures showing a large public sector borrowing requirement last month. It finished at DM2.2028, from DM2.221. Against the dollar it closed at $1.5386, from $1.539.

■ Pound in New York

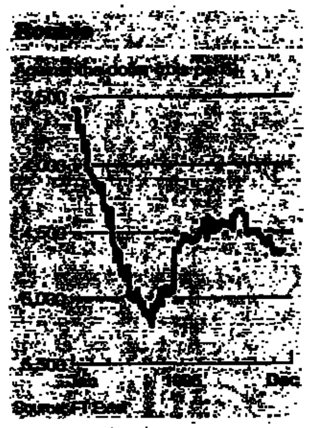
Dec 18	—Latest—	— Prev. close —
£ spot	1.5385	1.5385
1 mth	1.5386	1.5357
3 mth	1.5389	1.5340
1 yr	1.5269	1.5261

■ Concern that failure to reach agreement on the US budget might prevent the Federal Reserve cutting interest rates today dogged the US currency early in yesterday's session before the stock and bond market declines combined to undermine the dollar further.

Analysts said the economic case for a rate cut was fairly clear with data pointing to low growth and low inflation. But many doubted that the Federal Reserve would alter policy while there was still disagreement over the budget.

"We still seem to be some distance away from an overall budget deal," said Mr Mark Cliffe, international economist at HSBC Markets in London. "A lot of people are already long of dollars in anticipation of a quick resolution and they are having to review their positions," he said.

The budget impasse yesterday once again caused a partial shutdown of federal government and is set to cause a postponement of economic data this week.



But some analysts said that a decision either way on interest rates would be unlikely to have a large effect on the dollar. "The market appreciates that the Fed will cut at some stage and any delay would not require a revision of expectations," said Mr Steve Hannah, head of research at IBJ International in London.

He pointed out that the two-year US bond yield was 40 basis points below the Federal funds rate. "The market is very confident that there will be a cut in a relatively short space of time," he said.

■ The European Commission's announcement that the Ecu basket would disappear when the new European currency was introduced caused some consternation as analysts wondered what this meant for the actual Ecu.

The Ecu rallied early in the European session but sold off later in the day; in late trading it was at a discount of around 2.3 per cent to the Ecu basket.

But Mr John Hall, head of European economic research at SBC Warburg, said the European Commission had made assurances that the Ecu would indeed be converted at a rate of one-to-one.

"There is a lot of confusion but as the realisation grows that there is a legal guarantee that it will be paid one-to-one if the basket disappears then the spread should narrow sharply," said Mr Hall.

■ Analysts said the outcome of the Russian election was unlikely to have an impact on the rouble.

"People recognise that the main battle is next year's presidential election," said Mr Cliffe.

Mr Michael Klebnikov, a Russian specialist at H. Rivkin & Co, a New York broker, said the government and central bank were committed to maintaining the rouble-dollar corridor of R4550-R5150.

He said the rouble could also benefit from government's success in keeping inflation under control.

■ OTHER CURRENCIES

Dec 18	£	$
Czech Rp	40.7504 - 40.7887	26.4840 - 26.5040
Hungary	208.736 - 208.938	135.710 - 135.760
Iran	4617.00 - 4674.30	3000.00 - 3008.00
Kuwait	0.4604 - 0.4612	0.2993 - 0.2997
Poland	3.8780 - 3.8837	2.5200 - 2.5238
Russia	7158.35 - 7156.76	4650.00 - 4653.00
U.A.E.	5.6485 - 5.6531	3.6720 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

UK INTEREST RATES

BASE LENDING RATES

LONDON MONEY RATES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf		89½	—	98	80¼	6.31	19.8	–
Cater Allen	‡†v	437xd	—	525	418	142.5	8.6	7.2
Close Bros	‡v□	328	—	*348½	216¼	394.4	3.4	14.3
Gerrard & Nat	‡v	453	—	465	395	221.1	6.2	14.6
Hambros	v□	195xd	–1	233	180	351.8	4.7	–
7½pc Cv Pf		109	—	112	94	128.8	9.4	–
Joseph (L)	‡†v	458xd	–2	483	353	24.3	5.1	25.6
King & Shaxson	‡v□	138	–2	145	85	35.7	8.3	10.5
Rea Brothers	‡v	62	+2	67	44	23.3	2.4	20.8
Schroders	‡††v□	1385	–3	*1478	905¼	2,819	1.3	19.0
N/V	††v	1128	–7	*1180	823¼	486.3	1.6	16.1
Singer & Fried	‡†v□	109½	–1	111	81	215.4	4.2	11.3
8½pc Cv Ln 08/14		£135¼	—	£137	[illegible]	41.6	6.3	–
Union	‡v□	100	—	121	70	28.6	3.8	–
Wintrust	‡†v	276	+6	285	200	23.6	5.4	15.5

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

TEXTILES & APPAREL

RETAILERS, GENERAL

AMERICANS

OTHER INVESTMENT TRUSTS

PHARMACEUTICALS

CANADIANS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapÂ£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]		[illegible]	[illegible]	2,111	2.7	15.8
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	1,277	1.7	
Gold Flds Prop R.		154		165	135	16.7	8.9	6.9
MK Props.		92		95	85	3.70	12.9	-
SASOL		526	+15	548	435	3,080	2.8	-
SA Brews		[illegible]		[illegible]	[illegible]	6,805	1.5	31.5
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	3,080	1.8	20.8
Tiger Oats		1185xd	-12	1185	700	1,767	1.5	
Tongaat-Hulett	†	1071xd		1109	636	876.1	1.8	20.3

MAPPIN & WEBB

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

TOBACCO

TRANSPORT

PROPERTY

OIL, INTEGRATED

LEISURE & HOTELS

OTHER FINANCIAL

SPIRITS, WINES & CIDERS

WATER

SUPPORT SERVICES

AIM

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Mercury Asset Management S.A. - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie index drops 46 points after Wall St slide

By Steve Thompson, UK Stock Market Editor

London's equity market went into freefall yesterday afternoon, spooked by a delayed opening on Wall Street and worries that any delay to settlement of the budget deficit issue could undermine the chance of a cut in US interest rates.

The US Federal Reserve's Open Market Committee meets today to determine US interest rates in the wake of the most recent evidence of economic activity.

Dealers in London said markets had mostly factored in a rate cut in the US, and said a no-change policy from the Fed could lead to a sell-off in global markets. Reductions in UK, German and most other European interest rates have been seen as precursors of lower US rates. Dealers, however, began to cast doubts on a shift yesterday afternoon.

An additional burden for the UK market came in the morning with news of a £3.7bn Public Sector Borrowing Requirement for November, against expectations of a £2.5bn PSBR, and an upward revision of the October number.

But it was the steep retreat on Wall Street in mid-afternoon that led to near-panic selling in London. After its delayed start, the Dow Jones Industrial Average plunged almost 90 points within the first hour of trading, driving most European markets sharply down at the same time.

After a brief rally, which saw the Dow pick up to display a 55-point fall, the US index fell afresh to register a 75-point decline some 90 minutes after London closed.

At its worst, the FT-SE 100 index was down more than 50 points and looking extremely vulnerable to waves of selling pressure that at times threatened to overwhelm marketmakers.

The FT-SE 100 dropped through the 3,600 level, settling a net 46.5 lower at 3,596.1. The FT-SE Mid 250 index, meanwhile, was always more resilient than the senior index, finishing only 5.8 off at 3,954.0, a clear indication that big international funds had concentrated their selling efforts on the UK market's leaders, via the derivatives areas as well as the cash market.

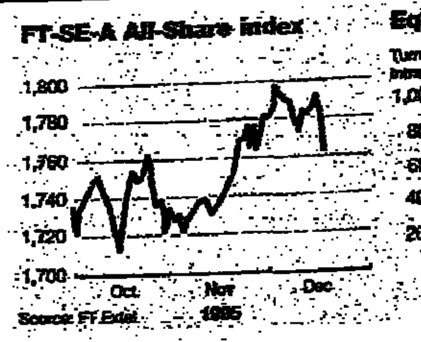
Mr Richard Jeffrey, group economist at Charterhouse Tilney, said: "Fears about the domestic economy and the failure of the US budget talks have been overplayed and both these worries should be resolved in the new year."

UK equity market strategists argued that London had over-reacted to Wall Street's correction. "Wall Street has become increasingly volatile in recent weeks and has risen at a rate of knots in recent weeks," said one, who added that the Dow Jones Industrial Average was always extremely sensitive to shifts of mood in the US bond market.

US bonds were down more than a point in mid-afternoon and undermined sentiment in gilts and other European bonds, which in turn upset sentiment in equities.

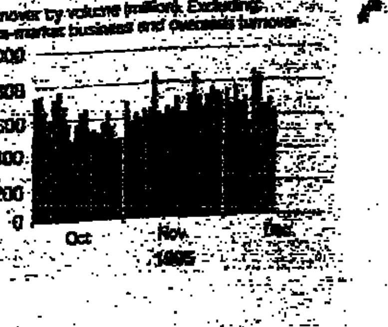
Turnover in stocks was extremely disappointing, *given the sharp falls* in prices. At 6pm overall volume in equities was a disappointing 659.8m shares, with volume in non-FT-SE 100 stocks accounting for almost 61 per cent of the total.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3596.1	-46.5
FT-SE Mid 250	3954.0	-5.8
FT-SE-A 350	1787.7	-18.7
FT-SE-A All-Share	1762.82	-17.52
FT-SE-A All-Share yield	3.87	(3.84)
FT Ordinary index	2605.1	-28.2
FT-SE-A Non Fins p/e	16.29	(16.41)
FT-SE 100 Fut Mar	3597.0	-60.0
10 yr Gilt yield	7.45	(7.38)
Long gilt/equity yld ratio:	2.02	(2.02)

Best performing sectors

1. Paper, Pkg. & Print .... +0.3
2. Retailers, General .... +0.3
3. Household Goods .... +0.3
4. Food Producers .... +0.1
5. Other Servs.& Bus. .... +0.1

Worst performing sectors

1. Banks, Retail .... -2.7
2. Insurance .... -2.1
3. Pharmaceuticals .... -1.8
4. Life Assurance .... -1.6
5. Electronic & Elec.Eqp. .... -1.5

Overseas support for BT

BT, one of the most liquid stocks in the London market, resisted the rout in UK equities as one big US house lent its support.

Prudential Securities changed its recommendation on the company from hold to buy. Analyst Ms Joanne Smith said regulatory worries are overdone. She believes the recent Oftel proposals are merely "a line in the sand . . . my guess is that the regulator will back off somewhat".

She adds that while regional US telecoms companies are trading at seven times gross cash flow for 1996, BT is only on a multiple of five times. And the company yields about 5.8 per cent on her figures, while rivals yield 4.2 per cent.

BT fell only 2½ to 342p on turnover of 10m, the heaviest *in the Footsie. The stock has* tumbled more than 16 per cent since late September.

Glaxo weak

Internationally traded stocks reacted sharply to the deep slide on Wall Street, where the Dow Jones Industrial Average was down almost 90 points at one stage.

Among the pharmaceuticals, Glaxo Wellcome slid 14½ to *885p despite receiving approval* from the US Food and Drug Administration for Valtrex, the oral version of its genital herpes treatment. SmithKline Beecham "A" fell 18½ to 671p and Zeneca 15½ to 1239¼p.

Hanson, already down 26 per cent since May, slid 3¼ or almost 2 per cent to 184½p. And Reuters Holdings, the news and electronic information group, tumbled 21 to 574p as US investors decided that the rating of the shares had got out of line with its nearest equivalents. There were also concerns about possibilities for expansion into Russia as the Communists appeared to be moving back into power.

Oil majors held relatively steady considering their recent strong performance and their exposure to international markets. British Petroleum, of which some 20 per cent is held in the form of American Depositary Receipts, shed 7½ to 526p in spite of agreeing terms with Sonatrach, the Algerian state company, for a $3.5bn contract to produce and market natural gas. Shell Transport, exposed to the US markets mainly through the Royal Dutch side rather than directly, eased only 1½ to 842p.

Ladbroke hints

Bid talk once again triggered the buying for Ladbroke. The shares hardened 3½ to 153½, making it the best performer in the Footsie on an otherwise poor day in the market, as talk that the leisure and hotels group was now a takeover target for brewing giant Whitbread circulated.

Speculation last month suggested it was Bass that was *lining up an offer for* Ladbroke, although with no signs that Bass was about to launch such a bid the talk faded, leaving Ladbroke shares to drift lower. But dealers remained sceptical about the latest whispers and one observer of the sector said yesterday: "Somehow, I do not quite see a tie-up with Whitbread."

The bid talk failed to dampen enthusiasm for Whitbread and the shares closed 7 ahead at 668p, boosted by the prospect of seasonal sales, though Bass followed the market lower and gave up 11½ to 711p in trade of 2.6m.

Banking stocks fell sharply in reaction to the general weakness in the blue chip index. Dealers were happy to latch on to any negative excuses and those were provided in National Westminster by various Sunday newspaper stories.

One article suggested that the sale of NatWest's Bancorp arm would be announced this week but the net proceeds could be disappointing. There were also reminders that the bank would take a hit of around £100m on its loan to the troubled Channel tunnel group Eurotunnel. The shares fell 23½ to 629½p.

Royal Bank of Scotland, seen as a takeover candidate for some time, maintained most of its premium for much of the day. An early fall of 14p principally reflected the change in the price as the shares went ex-dividend. There was little reaction to news that RBoS and Bank of Ireland were merging their New England banking arms. But the late slide took its toll and RBoS ended a net 11½ off at 585p xd.

Other bid targets also fell back. Bank of Scotland, which had attracted vague rumours but risen principally on the back of the RBoS rumours, shed 22 to 284½p.

British Biotech, the fast moving pharmaceuticals group that shot forward recently on expectations of a bonanza from its new cancer treatment, gained a further 112p to 1720p.

However, Scotia Holdings was dragged down 31 to 558p on very little turnover to render it the poorest performer in the FT-SE Mid 250 index. Conglomerate Trafalgar House remained under a cloud and lost another 1¼ to 23¾p, with volume reaching 8.9m by the close. NatWest Securities advised investors to reduce holdings.

The broker believes: "The likelihood of further pre-tax losses will exacerbate the lack of equity shareholders' funds and, in the absence of sizeable disposals, the company faces considerable cash outflow. Further, despite management action, we believe the risks in key markets outweigh the rewards and we can see little that is going to change fundamentals in favour of the group."

General investment buying for BAA, the UK airports operator, saw the shares improve 8½ to 475p. Profit-taking in new Footsie constituent Smiths Industries left the *shares trailing 23 to 645p. The* shares rose sharply ahead of the stock taking its place in the premier listings.

Vague bid talk was heard around tour operator Airtours. The shares appreciated 13 to 365p, with sentiment enhanced by a warning from its Going Places subsidiary of a potential severe shortage of holidays during the coming year.

A broker's recommendation helped Associated British *Foods stand out as one of the* day's best performing stocks. The shares improved 7½ to 369p, with volume in the tightly held stock just short of 1m by the close of the market.

SBC Warburg yesterday upgraded its recommendation on the food producers sector as a whole from "neutral" to "overweight" and said, "due to the recent sharp decline in industrial earnings forecasts, the food processing sector offers better growth prospects than the market in 1996."

The broker pointed out that AB Foods was one of its two preferred stocks in the sector saying, it is, "a strong defensive investment, and unlike many other food businesses, current trade is improving."

Government proposals for relaxing media ownership helped several stocks buck the trend. Border Television rose 9 to 254p and Ulster 20 to 1043p. Daily Mail Trust, which is expected to bid for a television group, rose 30 to 1158p and Mirror Group improved 2½ to 179p even though it is not seen as an obvious bidder.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Yr ago	*High	*Low
Ordinary Share	2605.1	2633.3	2656.4	2649.0	2642.6	2314.3	2676.1	2238.3
Ord. div. yield	4.13	4.08	4.05	4.05	4.06	4.51	4.73	4.02
P/E ratio net	15.57	15.75	15.89	15.86	15.84	17.47	21.33	15.35
P/E ratio nil	15.37	15.58	15.71	15.69	15.67	17.03	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2637.2	2638.1	2628.4	2628.2	2625.5	2626.1	2616.0	2613.6	2601.1	2638.9	2600.4

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Yr ago
SEAQ bargains	27,079	27,682	27,257	27,454	27,551	20,881
Equity turnover (£m)†	-	1698.8	2064.3	1858.5	2036.9	1184.6
Equity bargains†	-	31,684	32,689	32,258	35,221	25,200
Shares traded (m)†	-	617.4	583.2	637.2	811.0	518.5

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	502	Total Highs	96	Total contracts	44,304
Total Falls	881	Total Lows	67	Calls	12,143
Same	1473			Puts	32,161

Dec. 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3658.0	3597.0	-60.0	3664.0	3592.0	13348	58109
Jun	-	3596.0	-60.0	-	-	0	1115

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	3980.0	-10.0	-	-	0	3315

■ FT-SE 100 INDEX OPTION (LIFFE) (*3596) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Jan	196	6	146	12	101½	21	65	35	40	61	20	93½	9½	124½	3	183
Feb	209	17	166½	24½	129	36½	95	53½	65	74½	42½	103½	25½	146	14½	183½
Mar	224½	29	185½	39½	147½	52½	115½	71	85½	92½	61	119	42½	153½	27	192½
Apr	227	48	189	57	157½	75	126½	93	101	117½	77	144½	58½	177	42½	213
Jun†	257½	70			193½	103½			135½	143½			87	195		

Calls 6,745 Puts 10,535

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P
Jan	182	9½	119	15½	80½	27	48	44	24½	70	11	106	4	149	1½	196
Feb	188	21	147	29½	118½	42½	78½	68½	53½	84	34	114	20	150	11	190
Mar	201½	32½	164	44	128½	58	100	78½	71	98½	50	128½	36	158	22	197½
Jun	236	68½			173½	103			119	145			75½	198		
Sept	286½	103			224	135½			166	175			126	222		

Calls 1,898 Puts 18,839 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.1	99	96	Abtrust High Inc C	98½		-	-	-	-
-	F.P.	61.8	104	101	Benfield & Rea	103		-	-	-	-
290	F.P.	210.7	347	298	CMG	339		Rn4.8	1.2	1.8	17.1
-	F.P.	24.0	29	24	Cash Converters	24		Mv2.6	5.1	13.5	18.0
-	F.P.	12.2	510	500	†Com de Pat Fin	510		-	-	-	-
150	F.P.	72.1	160	149½	Corsworth	151		Rn5.8	2.1	4.8	12.4
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
-	F.P.	16.3	90	83	†Dmatek	87	+2	-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	50.5	102	98	Finsbury Tech	101	-1	-	-	-	-
-	F.P.	15.0	146	125	Gardner (L)	134	+1	-	-	-	-
-	F.P.	14.7	99	98	Geared Income C	98		-	-	-	-
200	F.P.	21.9	203	203	Gesthouse	203		Ln4.4	3.5	2.7	13.3
-	F.P.	3.38	116	83	Jasmin	83		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	15.9	28	25	†Marx & O'sens	27	+2	-	-	-	-
-	F.P.	21.0	99	93½	Martin Currie Jp	97	-1	-	-	-	-
-	F.P.	2.38	36	29	Do Warrants	35	-1	-	-	-	-
204	F.P.	3,332.0	214½	200	National Grid	200	-3	Wv11.23	2.3	7.0	9.0
200	F.P.	78.3	260	200	Peptide Th'peutics	231	-3	-	-	-	-
-	F.P.	89.1	367	345	†Pet City	357	+2	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	198.5	47	36	†Trocadero	47	+1	-	-	-	-
-	F.P.	4.05	135	125	†Viewinn	135		-	-	-	-
-	F.P.	47.8	68	55	Wilmington	67		-	-	-	31.5

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 15	% chg on day	Dec 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1982.36	+0.2	1889.38	1874.17	1.80	-	2083.65	1637.98
■ Regional indices								
Africa (16)	2432.10	-1.3	3462.94	2909.88	3.84	25.46	3191.21	2272.74
Australasia (6)	2398.32	+1.3	2355.19	2361.65	2.26	38.14	2697.57	1769.20
North America (12)	1685.70	+0.6	1678.24	1496.21	0.80	47.46	1351.06	1348.16

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FT - SE Actuaries Share Indices — The UK Series

	Dec 18	Day's chge%	Dec 15	Dec 14	Dec 13	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3596.1	-1.3	3642.6	3671.6	3662.4	3034.4	3.97	2.09	15.05	142.03	1433.01
FT-SE Mid 250	3954.0	-0.1	3359.8	3361.7	3942.3	3460.0	3.63	1.55	18.34	153.64	1552.81
FT-SE Mid 250 ex Inv Trusts	3968.0	-0.1	3971.1	3972.0	3950.9	3461.0	3.82	1.91	17.16	162.15	1559.40
FT-SE-A 350	1787.7	-1.0	1806.4	1817.9	1812.4	1521.0	3.91	2.04	15.65	70.33	1457.32
FT-SE-A 350 Higher Yield	1782.4	-1.1	1802.6	1816.1	1809.1	1543.2	5.03	1.85	13.44	87.59	1206.29
FT-SE-A 350 Lower Yield	1797.8	-0.9	1815.0	1824.4	1820.4	1495.2	2.77	2.40	18.84	51.74	1222.92
FT-SE SmallCap	1933.85	-0.3	1940.04	1938.37	1936.58	1735.61	3.43	1.70	21.48	61.34	1562.82
FT-SE SmallCap ex Inv Trusts	1911.52	-0.3	1916.83	1913.39	1911.64	1704.45	3.68	1.77	19.16	64.31	1553.17
FT-SE-A ALL-SHARE	1762.82	-1.0	1780.34	1790.73	1785.58	1505.86	3.87	2.02	15.98	68.34	1460.37

■ **FT-SE Actuaries All-Share**

	Dec 18	Day's chge%	Dec 15	Dec 14	Dec 13	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3203.67	-0.7	3226.99	3265.98	3224.22	2686.46	3.66	2.02	16.94	116.72	1348.13
12 Extractive Industries(7)	4248.89	-0.1	4251.62	4243.85	4231.66	3726.20	3.48	2.51	14.31	144.17	1218.37
15 Oil, Integrated(3)	3234.51	-0.9	3262.82	3320.45	3272.45	2648.27	3.80	1.96	16.80	123.19	1385.30
16 Oil Exploration & Prod(13)	2081.45	-0.6	2094.39	2049.98	2022.67	1842.90	2.41	1.49	34.65	49.88	1235.48
20 GEN INDUSTRIALS(278)	1905.84	-0.8	1921.15	1930.58	1922.76	1813.14	4.35	1.89	15.20	81.83	1023.10
21 Building & Construction(38)	1022.24	—	1022.14	1018.93	1011.39	974.91	3.94	2.02	15.73	39.29	841.35
22 Building Matls & Merchs(31)	1775.50	-0.2	1778.63	1778.52	1758.25	1753.60	4.16	2.04	14.73	73.55	881.15
23 Chemicals(23)	2289.64	-0.6	2302.38	2312.41	2313.58	2252.39	4.29	1.87	15.62	94.71	1065.76
24 Diversified Industrials(20)	1711.04	-1.5	1736.38	1750.50	1746.26	1723.35	5.77	1.57	13.83	97.90	985.47
25 Electronic & Elect Equip(37)	2092.73	-1.5	2125.67	2141.91	2113.04	1832.42	3.58	2.00	17.49	75.20	1073.34
26 Engineering(68)	2109.56	-0.9	2128.76	2139.79	2138.71	1780.43	3.58	2.27	15.35	74.11	1262.64
27 Engineering, Vehicles(13)	2446.61	-0.3	2454.47	2472.77	2464.86	2177.73	3.84	1.16	27.97	84.89	1247.16
28 Paper, Pckg & Printing(27)	2466.30	+0.3	2458.93	2464.86	2478.06	2721.43	4.08	2.48	12.37	97.32	1010.53
29 Textiles & Apparel(21)	1421.54	—	1421.84	1426.76	1423.85	1503.89	5.04	1.84	13.51	71.62	852.43
30 CONSUMER GOODS(89)	3550.26	-0.9	3584.19	3603.48	3601.08	2763.30	3.83	1.80	18.09	134.12	1267.88
31 Breweries(17)	2790.11	-0.7	2809.89	2819.73	2806.69	2186.90	3.73	1.92	17.47	97.46	1321.58
32 Spirits, Wines & Ciders(9)	2821.19	-0.7	2840.63	2849.62	2869.39	2716.34	4.31	1.78	16.45	125.07	998.43
33 Food Producers(24)	2552.84	+0.1	2550.54	2568.73	2560.59	2272.72	4.04	1.81	17.07	99.12	1131.28
34 Household Goods(11)	2645.82	+0.3	2638.73	2613.17	2568.04	2383.54	3.62	2.13	16.22	90.95	988.41
36 Health Care(17)	1920.54	-0.4	1927.35	1936.13	1940.50	1546.91	2.75	1.79	25.42	49.84	1152.56
37 Pharmaceuticals(10)	4954.34	-1.8	5044.28	5051.97	5032.48	3211.78	3.33	1.70	22.07	182.31	1654.70
38 Tobacco(1)	4629.34	-0.7	4663.22	4790.28	4836.87	3684.53	5.18	1.94	12.43	228.23	1119.98
40 SERVICES(227)	2185.92	-0.5	2195.96	2208.87	2206.28	1856.67	3.08	2.10	19.35	67.47	1119.99
41 Distributors(30)	2519.35	-0.9	2541.68	2553.28	2526.47	2508.23	3.93	1.77	17.71	100.88	916.68
42 Leisure & Hotels(30)	2615.23	-0.3	2623.82	2611.38	2613.07	2077.71	3.10	1.88	21.35	74.15	1339.84
43 Media(43)	3413.63	-1.4	3463.43	3487.56	3492.43	2787.49	2.10	2.36	25.24	80.00	1221.16
44 Retailers, Food(16)	1900.12	-0.3	1905.06	1932.43	1948.70	1686.14	3.84	2.40	13.54	72.35	1189.81
45 Retailers, General(43)	1914.68	+0.3	1909.54	1924.44	1910.21	1536.83	3.12	2.26	17.70	58.48	1079.27
48 Support Services(38)	1868.79	-0.9	1886.42	1881.42	1867.95	1450.02	2.47	2.53	19.97	44.55	1175.92
49 Transport(20)	2115.89	-0.1	2117.22	2135.33	2141.44	2197.70	4.13	1.30	23.21	86.39	868.91
51 Other Services & Business(7)	1076.64	+0.1	1075.63	1076.36	1082.50	1231.51	4.33	1.58	18.03	50.09	973.74
60 UTILITIES(36)	2374.98	-0.8	2393.77	2405.01	2463.35	2371.54	5.19	2.03	11.85	129.26	983.69
62 Electricity(14)	2692.79	-1.0	2719.06	2744.84	2771.26	2536.71	5.11	2.60	9.39	211.21	1239.51
64 Gas Distribution(2)	1524.63	-0.2	1527.83	1523.64	1512.89	2022.85	7.86	1.04	15.29	119.82	764.93
66 Telecommunications(7)	1914.27	-1.1	1935.23	1943.86	1934.58	1906.22	4.41	1.74	16.27	56.88	854.52
68 Water(13)	2115.59	—	2115.93	2119.09	2109.83	1765.92	5.62	2.66	8.36	115.06	1140.76
69 NON-FINANCIALS(653)	1859.52	-0.7	1873.29	1884.70	1879.04	1625.55	3.93	1.95	16.29	73.47	1384.89
70 FINANCIALS(113)	2833.06	-2.1	2894.30	2909.72	2901.95	2145.22	3.95	2.43	13.03	110.40	1185.74
71 Banks, Retail(9)	4010.59	-2.7	4120.54	4131.93	4131.79	2842.63	3.65	2.80	12.24	146.18	1266.59
72 Banks, Merchant(6)	3596.27	-0.3	3606.42	3630.81	3622.79	2917.56	2.59	2.41	20.03	104.97	1127.40
73 Insurance(25)	1402.33	-2.1	1433.11	1455.04	1435.08	1203.95	5.25	2.68	8.88	73.13	1027.43
74 Life Assurance(6)	3372.78	-1.6	3426.59	3462.71	3430.83	2358.22	4.13	1.53	19.77	136.72	1374.06
77 Other Financial(22)	2383.14	-0.8	2402.70	2412.20	2415.25	1828.00	3.77	1.85	17.98	73.86	1333.86
79 Property(45)	1387.13	-0.5	1394.04	1399.35	1397.90	1362.97	4.52	1.34	20.61	62.66	841.06
80 INVESTMENT TRUSTS(133)	2979.92	-0.8	3002.74	3011.32	3007.59	2680.61	2.27	1.04	52.93	63.98	1030.25
89 FT-SE-A ALL-SHARE(899)	1762.82	-1.0	1780.34	1790.73	1785.58	1505.86	3.87	2.02	15.98	68.34	1460.37
FT-SE-A Fledgling	1100.97	-0.3	1104.42	1105.67	1104.93	-	2.69	1.24	35.04	32.82	1136.89
FT-SE-A Fledgling ex Inv Trusts	1103.47	-0.3	1106.71	1108.26	1107.34	-	3.04	1.29	31.85	31.85	1138.60

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3642.1	3641.2	3630.4	3630.3	3626.8	3627.2	3615.4	3612.4	3595.8	3642.6	3591.7
FT-SE Mid 250	3962.8	3965.0	3963.0	3966.3	3965.8	3968.0	3964.2	3962.7	3953.9	3968.1	3953.8
FT-SE-A 350	1806.5	1806.4	1802.0	1802.3	1801.0	1801.2	1796.2	1795.0	1787.7	1806.9	1786.1

Time of FT-SE 100 Day's high: 8.30am Day's low: 3.57pm. FT-SE 100 1995 High: 3680.4 (1/12) Low: 2954.2 (23/1).

■ **FT-SE Actuaries 350 industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1025.5	1026.0	1027.0	1032.8	1032.8	1032.8	1032.6	1032.6	1026.4	1027.0	1024.9	+2.1
Pharmaceuticals	4978.3	4979.3	4958.9	4983.1	4954.1	4958.2	4924.6	4921.5	4891.3	4895.0	4983.0	-88.0
Water	2104.4	2104.2	2103.9	2104.9	2108.2	2110.4	2109.1	2108.4	2111.1	2111.1	2111.5	-0.4
Banks, Retail	4159.8	4147.3	4125.1	4128.5	4120.1	4119.7	4107.0	4097.4	4062.8	4061.8	4173.1	-111.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. [illegible] NOTE QUARTERLY CHANGES: See paper dated 7-Dec-95 page 28. DELETION: Ferry Pickering (Fledgling)

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	605	417½	-2
ASDA Group†	4,700	104½	-¼
Abbey National†	3,800	619	-16
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are in millions.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 18 / Frs.)

[illegible]

CZECH REP (Dec 15 / Koruna)

[illegible]

DENMARK (Dec 18 / Kr)

[illegible]

FINLAND (Dec 18 / Mks)

[illegible]

FRANCE (Dec 18 / Frs.)

[illegible]

GERMANY (Dec 18 / Dm.)

[illegible]

GREECE (Dec 18 / Drachmae)

[illegible]

ITALY (Dec 18 / Lira)

[illegible]

NETHERLANDS (Dec 18 / Fls.)

[illegible]

NORWAY (Dec 18 / Kroner)

[illegible]

POLAND (Dec 18 / Zloty)

[illegible]

PORTUGAL (Dec 18 / Escudo)

[illegible]

SPAIN (Dec 18 / Pts.)

[illegible]

SWEDEN (Dec 18 / Kronor)

[illegible]

SWITZERLAND (Dec 18 / Frs.)

[illegible]

TURKEY (Dec 18 / Tk.Lira)

[illegible]

PACIFIC

JAPAN (Dec 18 / Yen)

[illegible]

HONG KONG (Dec 18 / H.K.$)

[illegible]

INDONESIA (Dec 18 / Rupiah)

[illegible]

MALAYSIA (Dec 18 / MYR)

[illegible]

NEW ZEALAND (Dec 18 / NZ $)

[illegible]

SINGAPORE (Dec 18 / S$)

[illegible]

AUSTRALIA (Dec 18 / Aust$)

[illegible]

SOUTH KOREA (Dec 18 / Won)

	+/-	High	Low	Yld	P/E
HyEngC 35,800	-200	43,000	29,071	0.1	
KorEP 30,500	-100	33,308	23,200	1.6	
KrExBk 8,950	-330	10,900	8,650	...	
KMTele 532,000	-8,000	380,000	36,000	...	
LG Ele 25,100	-1,000	33,458	22,200	...	
PohgIS 51,800	-2,300	76,000	50,500	1.3	
SamElc 132,000	-3,000	178,000	77,159	0.2	
SamgHI 18,500	-200	32,500	18,500	2.6	
Yukong 26,100	-1,300	38,353	26,000	2.1	

TAIWAN (Dec 18 / TW $)

		+/-	High	Low	Yld	P/E
CL Ins	122.50	+.50	159	107	1.2	...
CH Bnk	97.50	+.50	198	84.50	1.0	...
ChDev	77	...	95.25	68.50	...	...
ChStl	20.20	+.20	33.50	17.90	7.3	...
FrstBk	98	+1	189	84	1.0	...
NYPstc	41.20	+.40	58.25	38.50	2.8	...
ShKLI	68.50	+1.50	88.25	37.50	2.3	...
TaiSod	83.50	-.50	126	55.50	...	...

THAILAND (Dec 18 / Baht)

		+/-	High	Low	Yld	P/E
Advinf	422	...	438	284	...	...
BgkBnk	290	-2	308	189	...	...
BgkLnd	38.25	+.25	82.50	29.50	1.4	...
DhSiam	141	+2	200	79.50	...	...
FinOne	145	-4	179	99	2.4	...
KTNBK	102	...	111	88.50	...	...
LndHou	418	-4	658	300	1.2	...
PhThai	220	-4	284	138	...	...
SiamCm	1,384	+8	1,768	1,186	...	...
SiamCi	372	...	446	328	...	...
SiamCB	326	+2	334	181	...	...
TeleAs	74.50	-2	99	68	...	...
ThaiFm	248	+2	280	173	2.7	...

NORTH AMERICA

CANADA

TORONTO (Dec 18 / Can $)

4 pm close

[illegible]

MONTREAL (Dec 18 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 18 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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INDICES

	Dec 18	Dec 15	Dec 14	1995 High		1995 Low	
Argentina							
General(29/12/77)	(u)	15219.42	15132.07	16531.16	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2207.7	2220.8	2222.7	2225.80	13/12	1823.30	8/2
All Mining(1/1/80)	1006.8	1019.5	1015.9	1029.59	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	341.72	345.06	344.18	395.42	2/1	328.89	27/10
Traded Index(2/1/91)	938.88	953.42	959.31	1088.31	2/1	882.15	23/10
Belgium							
BEL20(1/1/91)	1544.92	1556.57	1557.14	1567.44	13/12	1271.53	9/3
Brazil							
Bovespa(29/12/83)	(u)	41587.0	41833.0	46812.60	19/9	23382.00	9/3
Canada							
Metals Minls◊(1975)	(c)	5110.16	5110.04	5398.37	23/11	3808.85	1/3
Composite◊(1975)	(c)	4672.90	4680.86	4746.10	6/12	3981.41	30/1
Portfolio§§(4/1/83)	(c)	2311.24	2318.16	2342.77	11/12	1983.36	30/1
Chile							
IGPA Gen(31/12/80)	(c)	5727.33	5661.59	6363.10	11/7	4576.80	9/3
Denmark							
CopenhagenSE(3/1/83)	364.40	366.18	368.90	376.44	25/8	330.81	29/3
Finland							
HEX General(28/12/90)	1648.42	1653.57	1783.92	2332.22	14/9	1665.30	29/3
France							
SBF 250(31/12/90)	1203.15	1224.28	1229.28	1322.30	12/5	1164.41	13/3
CAC 40(31/12/87)	1820.47	1859.25	1874.98	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	812.19	815.98	819.52	848.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2351.4	2363.4	2375.4	2427.80	19/9	2018.70	30/3
DAX‡(30/12/87)	2288.19	2284.77	2285.85	2317.01	15/9	1910.96	29/3
Greece							
Athens SE(31/12/80)	890.46	898.20	899.22	992.59	4/8	787.35	16/3
Hong Kong							
Hang Seng(31/7/64)	9806.58	9853.65	9812.84	10032.98	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3042.96	3049.40	3053.42	3932.60	2/1	2922.16	29/11
Indonesia							
Jakarta Comp.(10/8/82)	493.41	492.33	489.96	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2222.39	2234.89†	2240.78	2268.71	7/12	1813.88	23/1
Italy							
Banca Comm Ital(1972)	582.48	580.79	572.47	680.64	10/2	547.79	5/12
MIB General(2/1/95)	920.0	917.0	904.0	1079.00	10/2	880.00	5/12
Japan							
Nikkei 225(16/5/49)	19311.08	19348.55	19409.30	19684.04	4/1	14485.41	3/7
Nikkei 300(1/10/82)	287.30	287.89	288.10	288.22	7/12	222.26	13/6
Topix(4/1/68)	1531.66	1531.09	1539.07	1582.40	4/1	1193.16	13/6
2nd Section(4/1/68)	1994.40	2004.52	2014.03	2130.65	4/1	1441.99	13/6
Malaysia							
KLSE Comp.(4/4/86)	984.00	990.52	996.26	1065.04	5/6	848.87	24/1
Mexico							
IPC(Nov 1978)	(u)	2575.69	2575.44	2724.89	28/11	1447.82	27/2
Netherland							
CBS TtlRtnGen(End 83)	521.5	523.9	528.5	528.80	14/12	422.89	23/3
CBS All Shr(End 83)	315.7	317.2	318.8	318.80	14/12	285.20	23/3
New Zealand							
Cap. 40(1/7/86)	2112.77	2111.20	2121.78	2286.82	20/10	1981.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1241.65	1252.84	1265.65	1292.16	18/10	1030.00	10/3
Philippines							
Manila Comp(2/1/85)	2491.36	2497.85	2484.65	2898.12	10/7	2198.45	20/11
Portugal							
BTA(1977)	2504.8	2492.2	2492.4	2811.80	9/1	2412.80	22/11
Singapore							
SES All-S'pore(2/4/75)	539.92	549.15	544.19	549.15	15/12	472.80	23/1
South Africa							
JSE Gold(28/9/78)	1337.6♥	1318.1	1318.7	2022.60	2/1	1269.20	30/10
JSE Ind.(28/9/78)	7952.1♥	7923.9	7931.8	7982.10	18/12	6222.00	31/1
South Korea							
KoreaCompEx‾(4/1/80)	887.26	888.65	808.87	1027.37	2/1	847.09	27/5
Spain							
Madrid SE(30/12/85)	314.57	315.66	313.77	338.98	13/9	284.95	23/3
Sweden							
AffarsvarldsGen(1/2/37)	1671.3	1696.7	1703.8	1872.18	19/9	1499.80	28/3
Switzerland							
Swiss Bk Ind(31/12/58)	1498.55	1515.89	1511.11	1515.89	15/12	1174.83	13/3
SBC General(1/4/87)	1118.91	1128.76	1124.54	1128.76	15/12	870.58	13/3
Taiwan							
WeightedPr.‾(30/6/66)	5112.92	5053.90	5064.99	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET(30/4/75)	1254.26	1262.77	1265.08	1472.04	10/7	1135.89	18/3
Turkey							
Istanbul Cmp.(Jan 1986)	40486.1	39869.0	39826.4	54888.98	21/4	24644.31	23/1
WORLD							
MS Capital Intl(1/1/70)	722.4*	726.0	729.1	729.10	14/12	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1465.72	1475.14	1474.45	1480.89	15/9	1222.41	13/3
Euro Top-100(26/6/90)	1311.72	1324.86	1332.94	1332.94	14/12	1117.34	8/3
JCapelDrgns(31/12/88)	(u)	335.47	338.51	349.47	14/7	282.87	23/1
ING Bngs Emrg(7/1/92)	144.57	145.90	146.06	188.87	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Dec	1872.5	1826.0	-44.0	1872.5	1825.0	18,609	38,249
Jan	1880.5	1833.5	-42.5	1880.5	1833.0	2,846	6,944
DAX							
Mar	2302.0	2265.0	-41.5	2304.0	2256.0	16,443	-
Jun	2269.0	2279.0	-39.5	2299.0	2260.0	15	-
OMX							
Dec	1318.00	1298.00	-17.00	1330.00	1296.00	4,812	10,731
Jan	1326.00	1306.00	-22.25	1337.50	1306.00	2,516	6,779
SOFFEX							
Jan	3290.7	3258.0	-37.5	3290.7	3255.1	3,649	11,689
Feb	3300.0	3288.0	+18.0	3300.0	3300.0	37	695

‾ Sat Dec 16: Taiwan Weighted Price 5089.61 ; Korea Comp Ex 894.39. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◊ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 18 - 2200.54 –2.57. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◊ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Dec 15	Dec 14	Dec 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5176.73	5182.15	5216.47	5216.47 (13/12)	3832.08 (30/1)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	104.90	104.98	105.15	105.34 (11/12)	93.93 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2033.62	2058.82	2084.54	2082.11 (5/12)	1473.19 (3/1)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	221.98	221.07	220.30	221.98 (15/12)	183.08 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5217.56 (5266.69) Low 5136.54 (5149.65) (Theoretical)◊
Day's high 5188.55 (5235.62) Low 5163.00 (5172.40) (Actual)◊

Standard and Poors	Dec 15	Dec 14	Dec 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite‡	616.34	618.92	621.69	621.69 (13/12)	459.11 (3/1)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	724.32	728.07	731.65	731.65 (13/12)	546.28 (3/1)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	61.50	61.30	62.16	63.68 (8/12)	41.84 (3/1)	63.68 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	328.66	329.10	331.17	331.17 (13/12)	250.73 (3/1)	331.17 (13/12/95)	4.46 (25/4/42)
Amex Mkt Val	535.37	537.77	539.86	553.88 (12/9)	433.12 (6/1)	553.88 (12/9/95)	28.31 (9/12/72)
NASDAQ Comp	1030.46	1038.19	1038.54	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Dec 15	Dec 8	Dec 1	Year ago
Dow Jones Ind. Div. Yield	2.27	2.27	2.30	2.80
	Dec 13	Dec 6	Nov 29	Year ago
S & P Ind. Div. yield	1.95	1.95	2.00	2.48
S & P Ind. P/E ratio	19.08	18.98	18.64	18.29

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Kmart	24,254,700	6⅝	-1⅛
Micros	13,051,800	45⅞	-5
Texas Inst	9,181,000	48	-3¼
Noida	9,047,100	33⅜	-2⅛
Motorola	8,977,800	57¼	-⅛
WalMart	8,373,700	23¼	...
Gen Elec	8,938,800	72½	+1⅛
IBM	8,843,000	90⅝	-2⅝
AT&T	6,714,400	66¼	+1⅞
Exxon	5,210,700	82	-1

■ TRADING ACTIVITY

● Volume (million)

	Dec 15	Dec 14	Dec 13
New York SE	639.527	481.033	417.223
Amex	22.391	21.490	19.270
NASDAQ	594.291	580.944	497.915
NYSE			
Issues Traded	3,095	3,090	3,092
Rises	1,124	1,051	1,426
Falls	1,237	1,278	963
Unchanged	734	765	703
New Highs	156	181	185
New Lows	31	27	26

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	622.25	619.00	-3.75	622.60	617.75	72,780	186,971
Jun	625.00	624.40	-3.75	625.00	623.80	597	6,374
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
■ Nikkei 225							
Mar	19400.0	19390.0	+50.0	19490.0	19320.0	11,146	135,132
Jun	19840.0	19970.0	+40.0	19990.0	19340.0	207	17,572

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, December 18, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shinagawa Fuel	9.3m	1250	-20	Mitsui Co	4.0m	873	+13
Hitachi	6.5m	990	-5	NEC Corp	3.9m	1220	-20
Nippon Steel Corp	5.4m	353	+2	Toshiba Corp	3.7m	767	-5
Mitsubishi Heavy	4.9m	825		Toyobo	3.7m	354	+12
Bunka Shutter	4.2m	942	-33	Hanwa	3.5m	346	+16

4 pm close December 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21¾	12⅛	AAR	0.48	2.3	24	391	u21½	20⅜	20⅝	-⅝
46¼	35	AMP	0.92	2.5	19	10619	37½	36⅞	37¼	-1¼
80¼	53⅜	AMR			17	7269	74¾	73⅝	73¾	-1¾
47⅞	35⅜	ASA	1.71	4.6	24	754	38⅝	37¼	37¼	-1⅛
44¾	30¾	AbbtL	0.84	2.0	20	9227	41¾	41¼	41⅜	-¼
16⅞	12	Abitibi Pr	0.40	2.8	7	1371	14⅝	14⅜	14½	-⅛
28½	21	ABM Ind	0.60	2.2	15	89	27¾	27⅝	27¾	-¼
17½	13⅛	Acptncein			10	73	15⅛	14⅞	15⅛	
40	21⅞	ACE Ltd	0.56	1.5	9	262	38⅜	36⅞	37¾	-½
9⅞	8⅛	ACM Gvt In x	0.90	9.7	8	1023	9⅜	9¼	9¼	-⅛
7⅜	6½	ACM GvOpp x	0.66	9.1		193	7⅜	7¼	7¼	
7½	5¾	ACM Gvt Sp x	0.75	11.3		568	6¾	6⅝	6⅝	-⅛
8¾	7¼	ACM Gvt Se x	0.90	10.9		1661	8⅜	8¼	8¼	-⅛
9½	7⅝	ACM Man x	0.90	10.3		369	8⅞	8¾	8¾	
29¼	10¼	AcmeClv	0.48	2.9	29	1691	16⅝	16	16⅜	-⅜
38¾	7⅜	Acme Elect			68	273	8½	8¼	8¼	-⅛
34½	23¾	Acordia	0.72	2.5	15	57	29⅛	28¾	29⅛	+¼
16¾	10⅛	Acuson			38	453	12⅜	12	12⅜	+⅛
19⅝	15⅝	Adams Expr	0.48	2.6	0	159	18⅝	18⅜	18½	
38⅞	2⅞	AdvMic			5	12546	17½	16½	17	-1¼
9¾	5	Advest Grp	0.16	1.9	11	237	8⅞	8⅝	8⅝	-⅜
27½	16½	Advo Inc	0.10	0.4	18	1056	26	24⅞	25¼	-½
42¾	24.80	Aegon	1.28	3.1	15	43	42⅛	41⅝	41⅞	-½
5⅞	3⅜	Aerflx			7	154	4	3⅞	4	+⅛
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4 pm close December 18

NYSE COMPOSITE PRICES

Continued from previous page

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- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close December 18

NASDAQ NATIONAL MARKET

4 pm close December 18

- A -

- B -

- C -

- D -

- E -

- F -

- G -

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AMERICA

Worries over budget leave Dow tumbling

Wall Street

Fears about the prospects for a balanced budget and a broad sell-off in technology issues sent US equity prices sharply lower in early trading yesterday, *writes Lisa Bransten in New York.*

At 1 pm, the technology-rich Nasdaq composite was off 24.51 or 2.4 per cent at 1,005.97, while the Pacific Stock Exchange technology index had fallen 2.8 per cent.

Trading was delayed for an hour on the New York Stock Exchange because of technical problems with the order distribution systems. Shares began tumbling almost immediately after the market opened at 10.30am, dropping nearly 90 points in the first half-hour before they bounced off their lows.

At 1 pm, the Dow Jones Industrial Average was 74.06 lower at 5,102.67. The Standard & Poor's 500 fell 7.13 to 609.21 and the American Stock Exchange composite was off 5.90 at 529.47. NYSE volume was heavy at 232m shares, in spite of the late opening.

Bonds were also off sharply as investors worried that President Bill Clinton and Congress would not move soon to reach an accord to balance the budget, which might deter the Federal Reserve from decreasing interest rates by January.

The Fed's policy-making Open Market Committee is to meet today and analysts were divided about whether it would move to ease monetary policy immediately, although many believe that the central bank would cut rates by January.

At midday the benchmark 30-year Treasury was off nearly a full point, sending the yield up to 6.157 per cent, its highest level since November 29.

A profits warning from Advanced Micro Devices, the fourth largest chip maker in the US, was one factor behind the declines in technology shares. AMD said fourth-quarter revenues would slip below the 52 cents it made in the third quarter because of weak demand for its 486 chip and costs associated with a new plant in Austin, Texas.

In early trading, AMD's shares were off $1½ or 8 per cent at $16¾. That announcement had a knock-on effect on other semiconductor and technology shares. Intel, the biggest chip maker in the US, declined $⅝ to $57⅝, Texas Instruments was $1⅞ lower at $47¼, LSI Logic shed $1¼ to $31⅜ and Micron Technology fell $1 to $44⅝.

Elsewhere, James River, the paper company, dropped $4½ or 13 per cent to $27¼ after announcing that fourth-quarter results would be below analysts' consensus estimate of 43 cents a share.

Canada

Toronto took its lead from Wall Street and by noon the TSE-300 composite index was down 48.98 at 4,623.87 in volume that dipped from recent sessions to 34.1m shares.

Among heavily traded stocks, Mark Resources, the oil and gas company, forged ahead C$1¼ to C$7¼ after news of a C$7 a share cash offer.

Mexico City weaker

Mexico City was lower in heavy midday trade after the market's sharp rise last Friday. The IPC index retreated 27.91 to 2,647.78 as investors took profits, particularly in bank shares, after the market's near 4 per cent gain on Friday.

B shares in the financial group Bancomer fell 4.3 per cent in morning trade, but Banamex-Accival B shares, which moved ahead in the previous session on news that the government would buy $2bn of its loan portfolio, bucked the market to pick up a further 3.5 per cent. L shares in the market heavyweight Telmex gave up 2.5 per cent, but dealers said they were unsure why the telephone monopoly was faring so badly.

BUENOS AIRES edged downwards on uncertainty ahead of today's US Federal Open Market Committee meeting. The blue chip Merval index, which moved up 4.6 per cent last week, shed 1.43 to 483.78.

EUROPE

Frankfurt and Paris feel Wall Street backlash

Share prices fell widely across Europe yesterday as domestic factors weighed on many bourses and Wall Street's sharp early drop reinforced the negative sentiment in those markets which were still open.

FRANKFURT was hit initially by a softening dollar and weakness in DAX futures, and then suffered a sharper deterioration in mood when Wall Street plunged. The Ibis Dax electronic index closed at 2,240.24, down 1.9 per cent or 43.60 points from Friday's close. The Dax had ended the bourse session at 2,266.19. March Dax futures ended 41.50 off at 2,265.

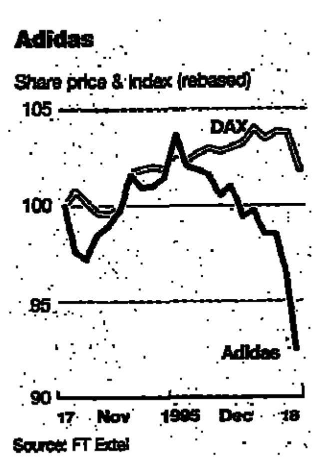
Adidas, the sports equipment manufacturer, dropped DM3.10 to DM70.15 on profit-taking and a sell-off as larger funds shifted out of the stock as the year-end approached.

SAP preference shares fell DM12.40 to DM228.60 on profit-taking. Among export-sensitive chemicals issues, BASF was down DM1.50 at DM319.30 and Hoechst was up 10 pfgs at DM376.30.

PARIS closed sharply lower, in reaction to Wall Street's opening plunge, with the CAC-40 index down 38.78 or 2.1 per cent at 1,820.47. The market had already been drifting down, as investors stayed on the sidelines ahead of Thursday's "social summit" between Prime Minister Alain Juppé, unions and employers.

Adidas

Share price & index (rebased)



Source: FT Extel

Pechiney, the privatisation stock, dropped FFr11.90 to FFr175.10 in first day trading from its FFr187 launch price. It opened at FFr180 after a delay, due to technical problems in handling large numbers of orders.

Analysts noted that the privatisation of the aluminium group was 1.2 times subscribed by private investors and that share offerings less than two times subscribed were usually seen as suffering from weak demand.

Chargeurs ended down FFr2 at FFr1,015 after announcing it was not buying Standard Wool in the US, a deal agreed in September.

AMSTERDAM was weighed by the weak dollar and bond markets while end of year profit-taking also pressured the market. The AEX index finished 2.84 down at 474.25 in what some analysts noted was a significant breach of the 475 point level.

Fokker, the aircraft manufacturer, clawed back from Friday's heavy losses after the parent company, Dasa, said at late on Friday that it would continue to honour Fokker's bills. The shares gained Fl 1.10 to Fl 8.30.

Fokker shares fell Fl 1.80 on Thursday and Friday on mounting speculation that Dasa's bridging credits were running out while aid negotiations were edging ahead.

NKF Holding, the cable-maker, jumped Fl 16 to Fl 246 in favourable response to the company's acquisition of Nokia's cable operations, announced on Friday. The deal will make NKF one of the biggest makers of telecommunications and energy cables in northern Europe.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Dec 18 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1471.47	1471.18	1471.69	1471.12	1470.50	1468.26	1466.95	1466.72
FT-SE Eurotrack 200	1571.71	1572.16	1575.29	1573.73	1573.55	1571.77	1570.86	1570.78

	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11
FT-SE Eurotrack 100	1475.14	1474.46	1470.58	1476.58	1488.23
FT-SE Eurotrack 200	1580.60	1591.13	1585.51	1586.45	1574.10

Base 1000 (26/10/90): High/day: 100 - 1472.20; 200 - 1575.62 Low/day: 100 - 1465.83 200 - 1569.78 † Partial

ZURICH was unsettled by easing US markets and uncertainties in the wake of the Russian elections. The SMI index fell 38.2 to 3,251.6.

Profit-taking also contributed to the downturn, with analysts forecasting that the index would fluctuate between 3,250 and 3,300 until the end of the year.

Among the day's losers, Roche certificates lost SFr100 to SFr8,800.

Surveillance was hard hit by a further appreciation of the franc against the dollar and the shares fell 3 per cent to SFr2,220.

Against the trend, Elektrowatt, earning further upgrades from analysts following its offer to buy Landis & Gyr, edged up SFr2 to DSFr408.

MILAN was weak on a day of political intrigue and uncertainty after the prime minister withdrew a third confidence vote, aimed at ramming the 1996 budget through parliament. But the budget commission subsequently said that it would resubmit the measure. The Comit index registered a 1.69 advance to 582.48 while the real-time Mibtel index lost 83 to 9,232.

VIENNA ended near its low for the day, depressed by electoral gains for Chancellor Franz Vranitzky's Social Democrats, and awaiting indications of the line up for the new coalition government. The ATX index fell 14.54 or 1.5 per cent to a six-week low of 938.88.

AMS, the chipmaker listed on the ATX for the first time, was the day's largest loser, down Sch75 at Sch1,585.

VA Technologie, helped by news of large orders, closed just Sch2 weaker at Sch1,254.

MADRID went into sudden reverse in late afternoon trade, hit by Wall Street's losses. The General index, which spent much of the session in positive territory, finished down 0.39 at 314.57.

HELSINKI, which collapsed on Friday, ended above its worst levels after a late revival in Nokia nudged the index ahead in after hours trade. The Hex index finished 0.5 per cent weaker at 1,646.42 having ended official hours 2.2 per cent down at an eight month low of 1,617.71.

Nokia A shares edged FM1 ahead to FM161, having fallen to an intra-day year's low of FM146.

Orion dropped FM8 to FM144 after its statement last Friday that a study, to be published in the British Medical Journal, showed a higher death rate for users of Orion's anti-Parkinson's drug than patients treated with other drugs.

ISTANBUL picked up after last week's 5.2 per cent slide as dealers generated activity by switching shares ahead of the general election. The IMKB-100 index rose 421.39 or 1.1 per cent to 40,090.40.

Written and edited by Martin Dickson and Michael Morgan

ASIA PACIFIC

Hesitant Nikkei edges down as bad loan talks go on

Tokyo

Investors spent a hesitant session as negotiations continued between the finance and agricultural ministries in an effort to find a solution to the problem of housing loan companies' bad loans, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 35.47 at 19,311.08 after touching 19,298.92 and 19,417.60. Shares saw support on buying by financial institutions and arbitrage linked purchases in the morning session, but profit-taking by domestic corporations eroded the gains.

Volume came to 330m shares, against 465m. The Topix index of all first section stocks was up 0.57 to 1,531.66 and the Nikkei 300 shed 0.09 to 287.80. Declines led advances by 537 to 503, with 175 issues remaining unchanged.

In London the ISE/Nikkei 50 index put on 1.35 at 1,326.80.

Buying interest was dampened by concern over the government's scheme to dispose of the bad loans of the jusen, or housing loan companies. Mr Tomiichi Murayama, the prime minister, had pledged earlier this month that a plan would be announced tomorrow. However, negotiations between the Ministry of Finance, which represents the banks, and the Agricultural Ministry, representing the agricultural co-operatives which lent heavily to the jusen, have yet to deliver results.

Domestic institutions sold high-technology issues following an earnings warning by Apple Computer, of the US, last Friday, with foreign investors joining in. But large-capital steels, believed to be beneficiaries of an economic recovery and regarded as laggards, gained ground.

Fujitsu retreated Y30 to Y1,150 and NEC Y20 to Y1,220, while Kyocera declined Y110 to Y7,540.

Among steels, Nippon Steel firmed Y2 to Y353 and Kobe Steel Y6 to Y296. Bank stocks were also higher, with Long Term Credit Bank of Japan advancing Y28 to Y860 and Sumitomo Bank Y20 to Y2,160.

Kitz, a leading industrial valve maker, plunged Y85 to Y400 on its announcement last week that it would post a loss of Y12bn for the current year, due to derivatives losses at its subsidiary. Trading of the stock was halted last Friday ahead of the announcement.

Real estate shares, which had been bought on the ruling coalition's report calling for a cut in property related taxes, declined. Mitsubishi Estate dipped Y30 to Y1,240 and Heiwa Real Estate Y4 to Y766.

The OSE average receded 49.59 to 20,759.23 in volume of 109.2m shares.

Roundup

Many regional markets spent a quiet session ahead of today's FOMC meeting in the US.

TAIPEI was pulled back from the day's highs by profit-taking, but the weighted index, which jumped to 5,151.05 at one stage, still ended 83.31 or 1.7 per cent ahead at 5,112.92 in active turnover of T$62bn.

Early buying was seen in the petrochemical sector on the profits outlook, before interest turned to paper shares in late trade on hopes that prices for domestic industrial paper may rise next year. The paper sector jumped 3.9 per cent. Wan Yu Paper soared the daily 7 per cent limit to T$15.4.

Petrochemicals, responding to higher international prices, were among the most active issues, with China Petrochemical up 60 cents to T$22.1 and Grand Petrochemical rising T$1.2 to T$33.1.

MANILA slipped at the close of a generally sluggish day which saw the composite index down 5.69 to 2,491.96.

The newly listed DMCI Holdings ended at 9.30 pesos in heavy trade from its offer price of 9.12 pesos.

SYDNEY closed lower across all sectors and the All Ordinaries index dipped 13.7 to 2,207.1. BHP led falls on an index weighted basis, losing 13 cents to A$18.96. Western Mining shed 15 cents to A$8.93 and CRA 29 cents to A$21.51.

SEOUL fell for the seventh straight day as trading volume and investor sentiment failed to support early gains. The composite stock index lost 17.13 at 867.26, taking its seven-session slide to more than 90 points.

Brokers said steadily decreasing customer deposits at security houses was the market's main preoccupation. By last Thursday, deposits stood at Won2,180bn, down from Won2,250bn the previous day.

Samsung Electronics ended down Won1,000 at Won132,000 and Korea Mobile Telecom fell Won3,000 to Won532,000.

Kuk Dong Engineering closed the Won7,000 limit down at Won115,000 after reports that it had illegally stashed $2.6m in a Swiss bank account for an ex-president. The company denied the reports.

HONG KONG ended weaker in low volume trade as investors awaited today's local government land auction.

The Hang Seng index was off 52.07 at 9,806.58, having recovered from the day's low of 9,765.26. Turnover was light at HK$2.2bn, after Friday's HK$3.1bn.

KUALA LUMPUR drifted down to a weaker close in trade dominated by profit-taking in second and third line stocks. The composite index slipped 6.52 to 984.00 in volume of 143m shares.

Among the day's more active counters was Damansara Realty, up 2 cents at M$2.00 in volume of 4.6m shares.

Hospital Pantai rose M$7.60 or 67.3 per cent to M$18.90 in the wake of an announcement on Friday that it would acquire a 13.2 per cent equity stake in Singapore's Parkway Holdings.

JAKARTA was mixed as Telkom continued to rise and small speculative property issues were actively traded. The composite index gained 1.09 at 493.41.

Telkom moved up Rp50 to Rp2,725 following a sharp rise in New York on Friday after a report that telephone company Telkomsel, 51 per cent owned by Telkom and 49 per cent by Indosat, was about to announce the winner of a tender for a 20 per cent stake.

BANGKOK edged lower in quiet trade and the SET index shed 8.51 to 1,254.26.

SINGAPORE receded on profit-taking after two weeks of solid gains. The Straits Times Industrial index, which had picked up almost 150 points over the last fortnight, eased back 2.77 to 2,200.54.

S African shares end firmer

Johannesburg ended a quiet day firmer, after Friday's futures close-out, with golds lifted by a slightly stronger bullion price and industrials supported by generally positive sentiment.

The overall index rose 26 to 6,239.6, industrials climbed 29 to 7,952.9 and golds put on 22 at 1,338.1.

AECI declined 50 cents to R21 after reports of a a fire at its plant near the town of Somerset West, 40km from Cape Town, which gave off sulphur dioxide clouds and forced the evacuation of 2,500 people.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	-0.92	+4.67	-9.89	-12.21	-4.13	-5.66
Belgium	+2.50	+5.77	+14.48	+14.11	+24.40	+22.41
Denmark	+0.22	+4.40	+8.39	+4.62	+15.67	+13.82
Finland	-14.18	-13.43	-10.20	-12.36	-2.75	-4.30
France	-0.13	-1.72	-1.99	-0.08	+9.18	+7.43
Germany	+0.67	+4.08	+8.63	+5.98	+15.73	+13.87
Ireland	-0.50	-0.27	+25.74	+19.85	+25.36	+23.36
Italy	+4.57	+2.96	+1.44	-5.51	-2.41	-3.97
Netherlands	+0.28	+5.42	+16.53	+14.61	+25.10	+23.09
Norway	+0.43	+3.75	+4.80	+0.52	+8.45	+6.71
Spain	+1.18	+6.84	+8.78	+13.57	+23.54	+21.57
Sweden	-2.54	-1.92	+16.71	+16.81	+33.32	+31.18
Switzerland	+1.49	+4.76	+26.50	+24.91	+42.76	+40.47
UK	+0.40	+0.72	+21.32	+17.68	+17.68	+15.80
EUROPE	+0.44	+1.90	+13.73	+11.72	+18.59	+16.68
Australia	+1.35	+4.44	+16.56	+16.10	+12.86	+11.05
Hong Kong	-0.16	+6.42	+14.43	+15.67	+17.59	+15.71
Japan	+0.17	+6.55	+2.00	-0.95	-1.64	-3.22
Malaysia	+1.82	+13.95	+3.35	+0.68	+2.68	+1.03
New Zealand	-0.16	-1.55	+7.43	+8.37	+12.18	+10.39
Singapore	+3.42	+9.59	+6.38	+4.00	+8.79	+7.04
Canada	-1.08	+2.40	+13.85	+10.88	+14.88	+13.05
USA	-0.47	+2.04	+34.66	+33.67	+35.85	+33.67
Mexico	+0.26	+13.49	+13.61	+9.34	-29.61	-30.74
South Africa	-0.74	+3.21	+21.90	+2.79	+16.12	+14.26
WORLD INDEX	-0.02	+3.42	+16.61	+14.67	+17.47	+15.59

† Based on December 15 1995. © Copyright 1995 Financial Times Limited, Goldman, Sachs & Co, Standard & Poor's. All rights reserved.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 15 1995								THURSDAY DECEMBER 14 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	190.61	0.1	183.58	123.03	142.96	170.86	-0.2	3.91	190.42	183.42	122.15	142.74	171.13	191.86	157.35	171.53
Austria (26)	172.39	-0.4	166.02	111.27	129.29	129.22	-0.3	1.61	173.04	166.68	111.00	129.70	129.63	199.28	167.48	175.58
Belgium (34)	206.18	0.0	198.57	133.08	154.63	150.86	0.0	3.47	206.26	198.68	132.32	154.61	150.82	208.26	165.22	165.23
Brazil (28)	135.33	-0.1	130.34	87.35	101.50	240.93	0.0	1.83	135.42	130.44	86.87	101.51	240.99	180.75	86.06	176.24
Canada (101)	146.27	-0.3	140.87	94.41	109.70	145.73	-0.2	2.56	146.74	141.34	94.13	109.99	146.04	150.83	121.81	127.54
Denmark (33)	286.61	-0.7	276.03	184.99	214.96	218.04	-0.6	1.50	288.69	278.08	185.20	216.40	219.43	295.99	236.51	239.97
Finland (25)	177.96	-10.4	171.39	114.87	133.47	162.10	-10.2	1.98	198.62	191.31	127.41	148.88	180.58	276.11	171.13	176.37
France (100)	175.70	-0.4	169.22	113.41	131.77	138.80	-0.6	3.21	176.47	169.98	113.21	132.28	137.65	191.17	157.79	164.16
Germany (59)	163.19	-0.3	157.17	105.34	122.39	122.39	-0.3	1.97	163.72	157.71	105.03	122.72	122.72	167.74	137.89	137.89
Hong Kong (55)	377.37	-0.7	363.44	243.57	283.03	374.74	-0.7	3.90	379.88	365.92	243.69	284.75	377.24	389.39	277.40	329.65
Ireland (16)	254.40	-0.1	245.01	164.20	190.80	225.51	-0.1	3.40	254.59	245.23	163.32	190.84	225.71	260.87	195.60	195.60
Italy (59)	72.30	2.9	69.63	46.66	54.22	86.19	2.6	1.70	70.27	67.69	45.08	52.67	84.02	82.71	65.45	69.65
Japan (483)	151.89	-1.1	146.29	98.04	113.82	98.04	-0.5	0.78	153.58	147.94	98.52	115.13	98.52	164.82	136.95	151.60
Malaysia (108)	484.33	-1.0	466.46	312.62	363.25	474.63	-0.8	1.74	489.02	471.05	313.71	366.57	478.62	561.96	398.16	465.14
Mexico (18)	980.84	4.7	944.63	633.08	735.62	8337.88	4.2	1.67	936.49	902.06	600.76	701.97	8001.85	1940.25	647.81	1940.25
Netherland (19)	266.96	-0.7	257.11	172.31	200.22	196.86	-0.5	3.32	268.72	258.85	172.39	201.43	197.92	268.72	210.34	210.34
New Zealand (14)	77.77	-0.8	74.90	50.20	58.33	63.33	-0.6	4.58	78.36	75.48	50.27	58.74	63.73	85.49	69.74	71.22
Norway (33)	227.47	-1.0	219.08	146.82	170.60	196.72	-0.9	2.13	229.74	221.29	147.38	172.21	198.48	243.79	201.65	201.65
Singapore (44)	399.32	0.1	384.58	257.74	299.49	260.66	0.1	1.56	398.78	384.12	255.82	298.92	260.27	414.26	313.94	362.46
South Africa (45)	384.72	-0.5	370.52	248.32	288.54	308.27	-0.5	3.84	386.50	372.29	247.94	289.71	309.74	392.04	281.06	324.13
Spain (38)	160.42	0.5	154.49	103.54	120.31	149.45	0.7	3.92	159.70	153.83	102.45	119.71	148.45	160.51	124.10	137.31
Sweden (47)	303.18	-0.5	291.99	195.69	227.39	297.11	-1.1	2.02	304.77	293.57	195.51	228.45	300.38	321.99	226.76	228.09
Switzerland (40)	232.04	0.6	223.47	149.77	174.02	167.40	0.4	1.59	230.62	222.15	147.85	172.87	166.67	232.04	160.28	160.87
Thailand (46)	164.96	0.3	158.87	106.47	123.72	161.08	0.4	2.52	164.46	158.42	105.50	123.28	160.47	184.55	130.15	150.37
United Kingdom (208)	225.61	-0.7	217.28	145.62	169.21	217.28	-0.7	4.04	227.17	218.82	145.73	170.28	218.82	228.33	188.63	188.63
USA (638)	250.98	-0.1	241.71	161.99	188.23	250.98	-0.1	2.23	251.30	242.06	161.21	188.37	251.30	253.50	186.38	186.38
Americas (785)	228.52	-0.1	220.08	147.50	171.39	192.14	-0.1	2.24	228.74	220.33	146.74	171.48	192.33	230.76	173.81	174.05
Europe (735)	197.15	-0.3	189.87	127.25	147.86	168.27	-0.4	3.04	197.82	190.55	126.90	148.28	168.93	199.02	164.47	164.47
Nordic (138)	268.58	-2.0	258.66	173.35	201.43	228.04	-2.3	1.93	274.09	264.01	175.83	205.45	233.37	295.02	216.60	217.74
Pacific Basin (831)	162.20	-1.0	156.22	104.70	121.65	108.44	-0.5	1.21	163.80	157.78	105.08	122.79	108.96	171.87	145.93	159.38
Euro-Pacific (1566)	176.66	-0.7	170.14	114.03	132.49	131.13	-0.4	2.06	177.87	171.33	114.10	133.32	131.71	178.33	154.73	161.42
North America (739)	244.52	-0.1	235.50	157.83	183.39	243.94	-0.1	2.24	244.85	235.84	157.07	183.53	244.25	246.93	182.73	182.73
Europe Ex. UK (529)	177.39	-0.1	170.85	114.50	133.04	141.45	-0.2	2.47	177.64	171.11	113.96	133.15	141.75	179.46	147.80	147.80
Pacific Ex. Japan (348)	261.29	-0.4	251.64	168.65	195.97	230.58	-0.4	3.21	262.31	252.67	169.27	196.63	231.58	268.72	211.19	236.47
World Ex. US (1758)	177.60	-0.6	171.04	114.63	133.20	134.87	-0.4	2.11	178.73	172.16	114.66	133.97	135.42	176.73	155.42	163.29
World Ex. UK (2190)	197.58	-0.4	190.28	127.53	148.18	163.46	-0.2	1.97	198.35	191.06	127.25	148.68	163.87	198.37	163.46	168.10
World Ex. Japan (1913)	227.19	-0.2	218.81	146.64	170.39	213.07	-0.2	2.60	227.66	219.29	146.04	170.65	213.55	228.28	181.50	181.50
The World Index (2396)	200.06	-0.4	192.67	129.13	150.04	168.26	-0.3	2.16	200.90	193.52	128.68	150.59	168.74	200.90	165.82	169.92

CONSTITUENT CHANGES WITH EFFECT 20/12/95: Additions: ITT Corp (new) (USA) (Medium-Small Cap Index), ITT Hartford Group (USA) (Medium-Small Cap Index) and ITT Industries (USA) (Medium-Small Cap Index). Deletion: ITT Corp (old) (USA). Latest prices were unavailable for this edition